

I noticed in one of our local papers the other day that there were many eastern buyers in Minneapolis buying up dry goods and shipping them back East where they came from. The article went on to say that the prices of many forms of dry goods were two or three times what they were a few years ago. Everything that the farmer has to buy is doubled or trebled. Feed for horses, to take just one item, is three times as high as a few years ago.

I am a great believer in allowing supply and demand to fix the price of merchandise. If any one article is unreasonably high people will immediately turn to something else. If the Government has to have wheat for export why does it not allow the farmers a price which will compensate them for their risk and for the damage to their land. If the price of wheat flour is high, people will use less of it.

On our farm we are going to put in 50 per cent more wheat than we did last year regardless of Government action. As you know, the price of wheat, whether it is two or three dollars would not make any vital difference to me, but it makes a big difference to our renter, who pays all the expenses and does all the work. He could make double the money by planting this acreage with almost anything else.

If wheat is to remain at \$2.20 everything that the farmer buys should be regulated to correspond. As this is impossible, it seems to me that the fair thing to do is to fix the price of wheat somewhere near its relative value. I can not see how this would disturb the present conditions or conditions until next July anyway. The price on the old crop could remain at its present price and the new price to affect new wheat only. Under such conditions, after seeding, all the old wheat in the country will come on the market.

I presume there is nothing new in this letter for you, but I felt that I ought to write you on account of my personal experience with North Dakota farming. It is an actual fact that the man who is running our farm is not a dollar ahead for the past two years of hard work, in spite of the comparatively high prices prevailing. Crops have been poor and expenses greater than ever.

Mr. McCUMBER. That letter is written by one who is farming in the Red River Valley, where they had no failure last year, but a fairly average good crop in 1917.

Mr. GRONNA. It is a favorite section of the State.

Mr. McCUMBER. Yes; it is a favorite section, as my colleague says, of the State. Yet, even with the prices that were being paid he has not gotten ahead during this last year.

Now, Mr. President, in closing let me say—

Mr. GORE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Oklahoma?

Mr. McCUMBER. I yield.

Mr. GORE. Did I understand the Senator to say he was closing?

Mr. McCUMBER. Yes; I desire to close now.

Mr. GORE. I was going to suggest to the Senator that I presume it would be just as well to adjourn until Monday and let him finish then. A good many Senators here have expressed a desire, it being Saturday evening, to adjourn; but if the Senator is on the edge of closing I will not make the suggestion now.

Mr. McCUMBER. Very well, Mr. President. This is simply a question of either letting the price alone entirely if you want to produce wheat or else allow a price that will somewhat compare with the prices that are fixed by the law of supply and demand on other articles.

Mr. GORE. Mr. President, for the reasons suggested a minute ago, I move that the Senate adjourn.

The motion was agreed to; and (at 4 o'clock p. m.) the Senate adjourned until Monday, March 18, 1918, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES.

SATURDAY, March 16, 1918.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:—

O Lord God Almighty, to whom we have been taught by the Master to look up in faith and confidence, and call Thee by the endearing name Father, which is altogether reassuring, quicken, we pray Thee, our activities and efficiency in the work whereunto Thou hast called us, that we may be faithful servants in the furtherance of the eternal plans which Thou hast ordained, and which in spite of the untoward circumstances of life Thou shalt in Thine own good time accomplish, to Thy glory and to the good of Thy children—

That nothing walks with aimless feet,
That not one life shall be destroyed
Or cast as rubbish to the void,
When God hath made the pile complete.

And all praise shall be Thine, in His name. Amen.

The Journal of the proceedings of yesterday was read and approved.

ANONYMOUS BILL.

The SPEAKER. Some gentleman, without writing his name on it, filed a bill providing pensions at the rate of \$30, \$32, \$35, \$38, and \$40. Who is the author of the bill?

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Waldorf, its enrolling clerk, announced that it had passed Senate bills of the following titles, in which the concurrence of the House was requested:

S. 3798. An act granting pensions and increase of pensions to certain soldiers and sailors of the Regular Army and Navy and of wars others than the Civil War, and to certain widows and dependent relatives of such soldiers and sailors;

S. 3476. An act to authorize the extension of a spur track or siding from the existing lines of railroad in the District of Columbia across First Street NE., between L and M Streets, to the buildings occupied by the field medical supply depot of the Army; and

S. 4699. An act to amend and reenact section 5200, Revised Statutes of the United States.

ADDITIONAL ASSISTANT SECRETARIES OF WAR.

Mr. DENT. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9352) to amend an act entitled "An act providing for an Assistant Secretary of War," approved March 5, 1890, and for other purposes, my purpose being to move to concur in the Senate amendments.

I will state that the bill as it passed the House was drafted by the War Department, and after it passed the House it was discovered that unintentionally the salary of the present Assistant Secretary had been reduced from \$5,000 to \$4,500. Except in the Department of Justice all Assistant Secretaries get \$5,000 a year, and it was not intended to reduce the salary of the present Assistant.

Mr. MILLER of Minnesota. Mr. Speaker, reserving the right to object, I should like to ask the gentleman a question if I may. There was so much confusion here and I do not know that I quite understood him, and I want to be put right. My understanding is that the two gentlemen who will be affected by the passage of this bill are already in office and receiving compensation at the rate of \$4,500 a year, and refuse to serve longer unless their salaries are increased to \$5,000, which will be accomplished by the passage of this bill. Am I correct?

Mr. DENT. The gentleman is entirely incorrect about that.

Mr. MILLER of Minnesota. Then I want to be corrected.

Mr. DENT. I can not say who will be appointed. I have no private or inside information, and have not had the curiosity even to ask—

Mr. WALSH. Did not the gentleman—

Mr. DENT. Let me answer the gentleman from Minnesota. I have not even had the curiosity to ask who would be appointed to these additional places. I do not know whether the gentlemen who are now receiving \$4,500 will be appointed or not. The law simply provides for these two additional Assistant Secretaries, to get \$4,500, but in the bill as drafted in the War Department, and as passed unanimously by the House here about a week or 10 days ago, unintentionally the salary of the present Assistant Secretary of War, an office that has been in existence for many years, was reduced from \$5,000, which he is now receiving, to \$4,500. It is the purpose simply to correct that mistake, and the Senate amendment, as I understand, does it.

Mr. MILLER of Minnesota. Of course nobody would want to see the salary of the present Assistant reduced. May I go further and inquire, does this bill really create, then, two new Assistant Secretaries in the War Department?

Mr. DENT. The House has already decided that it does. The War Department has requested it and the Senate has agreed. The War Department, which is perhaps the most overworked department now in Washington, has but one Assistant Secretary of War. This bill has already passed the House unanimously a week or 10 days ago.

Mr. MILLER of Minnesota. One further inquiry. Can the gentleman inform the House whether or not it is the intention of the present Secretary of War to remain permanently in France, so that this newly created office is necessary for that reason? I ask that in good faith, because it has been stated that he is going to remain on the War Board.

Mr. DENT. I will state to the gentleman that my information is that the Secretary does not intend to remain permanently in France.

Mr. MONDELL. The purpose and effect of the Senate amendment, as I understand, is simply to restore the present salary of the Assistant Secretary?

Mr. DENT. Of the present Assistant Secretary, as I understand it.

Mr. STAFFORD. Will the gentleman yield?

Mr. DENT. I yield to the gentleman from Wisconsin.

Mr. STAFFORD. As I understand the purpose of the Senate amendment, it goes further and provides \$5,000 for these two

additional Assistant Secretaries of War. The present Assistant Secretary of War receives \$5,000. As I remember from looking over the bill as it was returned from the Senate, for these two additional secretaries it increases the amount from \$4,500 to \$5,000.

Mr. DENT. I think the gentleman is mistaken about that. If I am mistaken as to this, it is due to my misunderstanding of the Senate report.

Mr. DYER. Reserving the right to object, Mr. Speaker, I want to ask the gentleman in regard to a matter which has been in the public press very much here of late, especially yesterday and the last few days, with reference to legislation recommended by the Surgeon General for what he says are the needs of the Medical Department of the Reserve Corps and Medical Corps, as to efficiency; and I will ask the gentleman if he knows what the attitude of the War Department is in reference to this Assistant Secretary of War who is now acting Secretary of War?

Mr. DENT. Of course, that has absolutely nothing to do with the matter now pending before the House. The gentleman was in my office this morning, and I stated to him very frankly that there was a conflict of opinion on the subject.

The SPEAKER. Is there objection?

Mr. STAFFORD. Mr. Speaker, reserving the right to object—and I do not intend to object—I merely wish to state to the Chairman of the Committee on Military Affairs that I have just reexamined the amendment as passed by the Senate, and the purpose is, as I stated to the gentleman, to increase the salaries of these two new Assistant Secretaries from \$4,000 to \$5,000. The existing salary of the present Assistant Secretary of War is \$5,000, but this bill has nothing to do as to his salary. It merely creates two additional Assistant Secretaries of War, and instead of the salary as carried in the original bill being \$4,500 the Senate amendment changes it to \$5,000.

Mr. DENT. I may have misunderstood the Senate report. If so, I plead guilty in not comparing the report with the bill.

The SPEAKER. Is there objection?

Mr. DYER. I object.

INDUSTRIAL CREDITS.

Mr. KITCHIN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 10608) to provide further for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes; and, pending that, I ask unanimous consent that the time for general debate be controlled equally—one half by the gentleman from Michigan [Mr. FORDNEY] and the other half by myself.

Mr. HAMLIN. Does the gentleman wish to fix any limit on the general debate?

Mr. KITCHIN. As far as the time is concerned, it is my desire to let it run on.

Mr. HAMLIN. Is it probable that the general debate will run to-day?

Mr. KITCHIN. Yes; certainly all of to-day.

The SPEAKER. The gentleman from North Carolina moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 10608, and in the meantime he asks that in the general debate he control one-half of the time and the gentleman from Michigan [Mr. FORDNEY] one-half the time on the other side.

Mr. HAYES. Mr. Speaker, I think the gentleman from Michigan and the gentleman from North Carolina are both in favor of the bill. I want to know who those opposed to the bill are going to get time from.

Mr. KITCHIN. I will say to the gentleman from California that he will be given ample time, as well as those who are opposed to the bill. I am sure the gentleman from Michigan [Mr. FORDNEY] will join me in that statement.

Mr. FORDNEY. I am perfectly willing, and think it just that those who are opposed to the bill have equal time and that they should be alternated with those who are in favor of the bill. I am perfectly willing to divide the time with the gentleman from North Carolina and give the gentleman from California and those opposed to the bill ample time.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question now is on the motion of the gentleman from North Carolina to go into the Committee of the Whole House on the state of the Union.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. GARRETT of Tennessee in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the consideration of the bill, of which the Clerk will read the title.

The Clerk read as follows:

A bill (H. R. 10608) to provide further for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes.

Mr. KITCHIN. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that the first reading of the bill be dispensed with. Is there objection?

There was no objection.

Mr. KITCHIN. Mr. Chairman and gentlemen of the committee, on February 4 of this year I introduced House bill 9499, known as the War Finance Corporation bill. It was introduced as an administration measure, just as it was prepared by the Treasury Department. Since its introduction the Ways and Means Committee has been giving most diligent study and investigation to the provisions of the bill. As a result of our study and deliberation, so many amendments to the original bill were made in committee that the committee thought it better and wiser that a new bill containing such changes should be introduced. Accordingly, I was instructed to introduce House bill 10608, now known as the War Finance Corporation bill. This bill comes before you with the unanimous report of the committee, but it must not be understood that the committee, or any member of it, would sanction such a bill in times of peace. Not one would favor it. We report and present it strictly as a war measure, deemed necessary by the administration and the committee.

The bill, even in its present shape, as well as the original, is so radical, so unprecedented, and, I may say, economically so revolutionary, that the mind of the most radical would hesitate to indorse it at first blush. But the more we studied the bill, the more we investigated its purpose and effect, the more we contemplated the real situation that confronts the country, its wisdom and necessity as an emergency measure appealed to us, and I think the bill as amended will appeal to the judgment of the House and the country.

This situation confronts the Nation: The administration—the war prosecuting branch of the Government—is convinced, and from the evidence before it your committee is convinced, that for the more effective prosecution of the war the time has come when it is absolutely necessary for the Government in some way to go to the rescue of the industries whose operations are necessary or contributory to the prosecution of the war. If it withholds financial help, then the Government must of necessity take over or commandeer the war industries of the country, including, perhaps, many public utilities, power plants, and so forth, and manage and operate them, putting up all the funds for investments and operation. We are decidedly of the opinion that it is better and wiser for the Government to assist to some extent in providing money and credits for such industries than to take them over.

There are three ways by which the Government can render the necessary assistance:

First, by direct advances and loans by the Treasury. No thoughtful man would suggest adoption of this method. Billions of additional bonds and taxes would have to be issued and raised.

Second, by investing the Federal reserve bank system, through the Federal Reserve Board, with the powers and functions necessary to effectuate the purposes of the bill. After due consideration this method did not appeal to our best judgment. To throw upon the Federal reserve system the vast powers and responsibilities contained in the bill or those necessary to carry out the objects of the bill would be a burden too immense to be added to its shoulders. It would be unable to efficiently perform both the large and responsible duties now devolving upon it and the many and important duties proposed in the scheme of this bill. We desired, too, to maintain as far as possible this great system in its integrity without impairing its principal function of promoting and facilitating active commercial transactions.

Everyone really interested in maintaining the Federal Reserve System in its integrity, and confining it to its primary and essential functions as far as possible, will readily see the danger of the vast and extraordinary powers and functions pro-

posed in the bill overcoming and swallowing up the Federal Reserve System itself.

If, therefore, it is unwise to provide the necessary aid directly from the Treasury by raising more taxes and issuing more bonds, and if it is unwise to take care of the war industries through the Federal Reserve System, then, as the third way of providing the needed assistance, there must be created another and a new agency by which such assistance can be rendered. This bill proposes that new agency by creating the War Finance Corporation. At once we all see the necessity of coming to the rescue of the war industries. The Government has gone out and by its continual sale of liberty bonds barred up almost every avenue of credit. It has almost exhausted, and will continue during this war to exhaust, the surplus loanable funds of the banks throughout the country by its continuous flow of issues of certificates of indebtedness. There are outstanding to-day about two billion and a half dollars of certificates of indebtedness payable on or before June 25, 1918. These certificates are issued from time to time during the year and the banks take them up, but under the law they can not be issued for a longer period than a year. Some are for 90 days, some for 4 months, and some for 6 months, and so forth, and the banks are continually appealed to to supply this enormous amount of money for the Government. We can understand very readily how the Government has affected both the money and credit market.

I do not think the necessity for this legislation or some sort of legislation to give relief, can be more clearly expressed than the Secretary of the Treasury did in his testimony before the Committee on Ways and Means. He said:

The Government's borrowings, particularly during the period immediately preceding and following each liberty loan, have tended to preempt the credit facilities of the banks and often to prevent them from giving needed and customary help to quasi-public and private enterprises. Many instances have been brought to the attention of the Secretary of the Treasury and of the Federal Reserve Board where industrial plants, public utilities, power plants, railroads, and others have found difficult, if not impossible, to obtain the necessary advances to enable them to perform vital service in connection with the war because essential credits, ordinarily available to them, are being absorbed by the Government itself.

I will now explain the bill and its provisions. It contains three titles. Title I relates to the War Finance Corporation. Title II relates to the Capital Issues Committee.

Title III relates to Miscellaneous—the saving and repealing clauses, and the penalty clause. It also contains a provision exempting from the stamp tax any note or notes secured by liberty bonds and certificates of indebtedness.

Title I. War Finance Corporation.—The corporation is named by the bill the War Finance Corporation. It is given the ordinary powers of a corporation, to adopt, alter, and use a seal; to sue and be sued; to acquire and lease lands; to make contracts; to appoint and fix compensation of officers, attorneys, agents, employees; to make by-laws, and so forth, necessary to the transaction of its business.

The life of the corporation is 10 years, but it is not authorized to do any business or exercise any powers given to it by the bill after six months after the termination of the war except to wind up its affairs and liquidate its assets. Its principal office is to be in Washington, but it may establish agencies or branch offices in any city or cities in the United States.

It has one stockholder and only one—the United States. Five hundred million dollars is the amount of the capital stock, to be paid in from time to time as called for by the board of directors with the approval of the Secretary of the Treasury.

The management of the corporation is vested in a board of five directors. The Secretary of the Treasury is to be chairman and the four other members are to be appointed by the President and confirmed by the Senate, two for a term of two years and two for a term of four years. We have provided, in order to assure the country that the directorate shall be non-partisan, that not more than three members of the five directors shall be of the same political party. The salary of these directors is not to exceed \$12,000 a year. It is no bar for appointment that one is already an officer of the Government. He can remain such officer and be a director, but his salary as such officer and director, combined, can not exceed the salary fixed for a director; that is, can not exceed \$12,000. It is also provided in the bill that each director shall give his entire time to the business of the corporation, except such time as he devotes to the Government in his other official capacity, and that no director or officer of the corporation shall in any manner, directly or indirectly, participate in the determination of any question affecting his personal interest or the interests of any

corporation, partnership, or association in which he is directly or indirectly interested.

The corporation is authorized to issue bonds in an amount equal to four times the amount of its capital stock paid in and with a maturity of not less than one nor more than five years. The original bill authorized an issue of eight times. Under the original bill \$4,000,000,000 of bonds could be issued and be outstanding at any one time if the total amount of capital stock; that is, the \$500,000,000, had been paid in. In this bill we have limited the total amount of outstanding issues to \$2,000,000,000 when the whole capital stock has been paid in. The amount that can be issued and outstanding at any one time is four times the amount of the capital stock then paid in.

That is, if an installment of only \$100,000,000 is paid in the corporation is authorized to issue and have outstanding only \$400,000,000 of its bonds. If \$250,000,000 of the capital stock is paid in, it is authorized to issue and have outstanding \$1,000,000,000 of bonds, and when the whole \$500,000,000, it can then issue and have outstanding \$2,000,000,000 of bonds—the amount limited. I may here say that the corporation will probably make the larger part of its loans or advances by its bonds instead of money. For instance, a corporation with proper securities applies to the War Finance Corporation for a loan of \$1,000,000. The finance corporation has not the money, and it does not want to go to the trouble and expense of going out in the market and selling its bonds. It will advance to the applicant \$1,000,000 of its bonds, and then the applying corporation will go out and sell or go to the banks and borrow with these bonds pledged as security, as they will be of superior security, the funds needed.

Now, as to the power of the corporation to make loans or advances. Such loans or advances may be divided into three classes:

First, to any bank, banker, or trust company, which shall have made since April 6, 1917, and which shall have outstanding any loan or loans to, or which shall have purchased since such date and own at time of the advance, any bonds or obligations of any person, firm, corporation, or association conducting an established and going business in the United States whose operations shall be necessary or contributory to the prosecution of the war, such advances to be for a period not to exceed five years. It is contemplated that most of the business, most of the loans to the war industries, will go through the banking channels. The advances will, for the most part, be made by the corporation to the banks, which in turn will make loans to the war industries. In this way the corporation will have not only the note or obligation of the borrowing industry and the securities which the bank requires of it, but the note or obligation of the bank and such other securities as the corporation may require of the bank. Thus the bank stands between the corporation and the borrower as an additional protection and making an additional security to the bonds of the corporation, to which I shall later refer.

Take a munition company as an illustration. It needs \$1,000,000 and applies to its bank for it. The bank, not having sufficient funds, takes the company's note and the securities it requires of the company and applies to the corporation. The corporation, if it is satisfied the securities are adequate, will advance to the bank 75 per cent of the loan which the bank makes to the company, but the bank must give its note, secured by the company's note to it and all the securities pledged by the company to the bank.

In cases like the one just given, where the bank gives its note, secured by the obligation of the borrower and the securities he pledges, the corporation is authorized to advance to the bank not to exceed 75 per cent of its loan to the war-industry borrower.

However, the directors are authorized to advance 100 per cent of the bank's loan—the total amount—but when they do that the bank must put up not only its note and the note of the borrower and his securities, but additional securities amounting to at least 33 per cent of the amount of the advance.

The corporation can advance to a bank or banking institution or trust company that has gone out and bought bonds or obligations since the declaration of war of any person, firm, corporation, or association whose operations are necessary or contributory to the prosecution of the war 75 per cent of the market value of such bonds or obligations, but the bank must make its note secured by such bonds or obligations. The corporation is authorized to advance 100 per cent of the market value of such bonds or obligations provided the bank will put up in addition to the securities just mentioned securities amounting to 33 per cent of the advance. Under the class of advances which I have been discussing it will be observed that

the fundamental condition of the advance by the corporation to the bank is that the bank shall aid by its loan an industry necessary or contributory to the prosecution of the war. Such advances can be made for periods not exceeding five years.

Second, the corporation is authorized to make advances for periods not exceeding one year "to any savings bank, banking institution, or trust company in the United States which receives savings deposits, or to any building and loan association in the United States * * * whenever the corporation shall deem such advances to be necessary or contributory to the prosecution of the war or important in the public interest."

It will be noticed that the recipient of such advances need not be a war industry; that is, an industry necessary or contributory to the prosecution of the war, or need not make loans to war industries. If the corporation deems advances to such savings banks, banking institutions, or trust companies, or building and loan associations "important in the public interest," such institutions are eligible to apply for advances. But the note of such savings banks, banking institutions, trust companies, and building and loan associations given for such advances will have to be secured by the pledge of securities the market value of which is equal at least to 133 per cent of the amount of the advance.

These institutions are in a way, however, contributing to the war, because their depositors are withdrawing deposits and buying liberty bonds. They are advancing the Government funds on its certificates of indebtedness.

All of these institutions are injuriously affected by Government issue of bonds and certificates of indebtedness alike. Building and loan associations are affected to some extent like savings banks.

The Government in its continuous issue and sale of bonds, with a rate of interest as high as any saving deposits receive, and in many States much higher, naturally induces depositors to draw out their money and invest in such bonds. The Government is therefore practically in competition with the savings banks. Hundreds of millions have already been drawn out for this purpose, and such withdrawals will continue as long as the Government is forced to sell bonds.

Deposits in savings banks are made with the view of their remaining for months and years. The deposit savings institutions therefore make long-time loans and investments, which the commercial banks do not. Large and unforeseen withdrawals by depositors for investment in bonds are likely to embarrass if not ruin some of the best and safest of these institutions if the corporation is not permitted to come to their rescue to some extent. As I said a moment ago, building and loan associations will be affected somewhat similar to the savings banks.

When my friend from Ohio [Mr. LONGWORTH] suggested to the committee that building and loan associations should be included in this class I believe I was the first one who objected, and asked why should building and loan associations be included. I observed that they were lending money out, and the fellow who was building and had built a house was not putting money in it, he was getting or had gotten money out of it—he was a borrower. But the gentleman from Ohio reminded me that the association would not get along very well if all the members were borrowers; that a majority of the members were not borrowers; and that if the association did not have a greater number of nonborrowers, who put their money in to help the other fellow to build his home, they could have no borrowers and build no homes. He explained how millions of dollars have been and will continue to be withdrawn by the nonborrowing member to be put into liberty bonds.

That jogged my memory of exactly what I did. In the case of the second liberty loan I did not have the cash on hand, and I had been such a good friend of the banks in my community as a borrower that I owed them the limit. So to buy a few thousand dollars of liberty bonds I had to cash in my building and loan stock. Thousands of others, perhaps, did and will do as I did. The committee adopted the suggestion and amendment of the gentleman from Ohio [Mr. LONGWORTH], and, in my opinion, it was the fair thing to do.

I would say that one of the important differences between this bill and the original bill and the Senate bill is that we safeguard advances by the corporation by increasing the interest rate and the amount of security to be pledged. The bill requires the savings institutions and building and loan associations to pay a rate of interest on such advances at least 1 per cent per annum higher than is paid on commercial paper in the Federal reserve district in which the borrowing institution is located. That will have a tendency to bring the money back to the corporation as soon as possible. With such advances they are not supposed to make profits, and they do not become responsible for war-industries loans as do the commercial banks. The advances are

made to them for their benefit to help them—to save them in some cases, perhaps—and not advanced to them to make loans to war industries for the prosecution of the war. We require them, therefore, to pay this 1 per cent per annum higher rate just as we do the persons, firms, or corporations that borrow direct from the corporation in aid of their war-contributing industries. The savings deposit institutions and building and loan associations must secure their notes by securities worth at least 133 per cent of the advances.

Third, this is the class of loans or advances to be made to war industries direct by the corporation, without the intervention of the banks. The corporation is authorized—

in exceptional cases to make advances directly to any person, firm, corporation, or association, conducting an established and going business in the United States, whose operations shall be necessary or contributory to the prosecution of the war (but only for the purpose of conducting such business in the United States and only when such person, firm, corporation, or association is unable to obtain funds through banking channels or from the general public), for periods not exceeding five years.

It will be observed that the advances can only be made on condition that the borrowing person or concern is operating in the United States, that its operation is necessary or contributory to the prosecution of the war, and that it has been unable to get loans through banking channels or the general public. But the total amount of loans or advances that can be outstanding at any one time under this direct loan provision is 16½ per cent, or one-sixth of the capital stock paid in at the time of the advance, plus the amount of bonds which the corporation is then authorized to issue and those outstanding. For instance, say, \$200,000,000 of the capital stock has been paid in; it can then issue four times that much in bonds. It will then have \$200,000,000 capital paid in and an authorization to issued \$800,000,000 in bonds, or a total of \$1,000,000,000. Under the direct loan provision, it would be only authorized to loan and have out at any one time in the aggregate 16½ per cent, or one-sixth of the \$1,000,000,000. The original bill contained no limitation in this respect. I believe my friend from California [Mr. HAYES], who opposes this bill, will admit this provision is a great improvement over the original bill, or the bill the Senate passed.

Mr. HAYES. I admit that.

Mr. KITCHIN. Now, we have another limitation on this provision. This is an emergency measure, and I believe this limit which the committee put in will appeal to the sound business judgment of every man in or outside of this Congress. We provide that the rate of interest which this corporation shall charge when making advances direct under this clause or section must be at least 1 per cent per annum in excess of the rate of discount or interest on 90-day commercial paper prevailing at the Federal reserve bank in the district in which the borrower is located. Now, that will have a tendency to keep the borrowing industries within the banking channels and will also operate something like the graduated interest of the Vreeland-Aldrich Act to cause them to pay their obligations to the corporation as early as possible. There is another limitation put in this provision that I think you will admit is a great deal wiser and better, and certainly more secure, than the original bill. The original bill had no specific security. The board could take any amount of security it wanted, whether 20 per cent, 25 per cent, or 50 per cent. This bill requires that for each of these direct loans by the corporation the borrowing institution shall put up securities worth 133 per cent of the amount of the loan.

Another very important change—

Mr. MEEKER. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. I would rather get through first.

Mr. MEEKER. Just a question right there at that point.

Mr. KITCHIN. Let me get through. The gentleman can save that question. I would like to answer the question, but I will get through in 15 minutes.

We provide in this bill what we believe is an important safeguard to the Federal Reserve System. We prevent, while the original bill authorizes, the Federal reserve banks buying and investing or dealing in the bonds of the corporation. In my opinion the provision in the original bill which permitted the Federal reserve banks to go out and purchase and deal in these bonds, if it should become law, would impair to a considerable extent the strength and virtue of the entire Federal Reserve System. I understand that the Committee on Banking and Currency as a unit agrees with us on that proposition.

We further safeguard the Federal Reserve System by requiring that in the case of discounts of the direct obligations of member banks and rediscount of eligible paper secured by bonds of the corporation that the interest charge shall be not less than 1 per cent per annum in excess of the interest rate on eligible commercial paper of corresponding maturity. That

is to prevent the reserve banks from loading up with so much paper secured by the long-time bonds of the corporation. While the bonds run from one to five years, we require the note of the member bank to be paid, if it is a direct loan, in 15 days; and if it is rediscount paper it must be paid in 90 days.

In other words, the member bank rediscounting at the Federal reserve bank eligible paper secured by the corporation bonds must make it payable in 90 days. If it is a direct note of the bank secured by such bond, it must be payable in 15 days. Such notes can be renewed from time to time, but within 90 days, which is the outside limit, the Federal reserve bank can protect itself by calling upon the member bank to pay. The member bank can go out and sell the corporation bonds if necessary to meet its payment.

Another requirement that was not in the bill as it passed the Senate, or in the original bill, is that before the member bank can get any money from the Federal reserve bank for its paper secured by these bonds it must satisfy the Federal reserve bank that it has not in its possession sufficient commercial paper eligible for discount or rediscount under the regulations of the Federal Reserve Board made under authority of the Federal reserve act. In our opinion, it is best to separate as far as practicable the influence of the corporation over the Federal Reserve System and the Federal reserve banks. It is almost certain—and it is wise that it should be so—that some members of the Federal Reserve Board are going to be members of this directorate; and if we do not hedge it about and safeguard the Federal Reserve System by these limitations, the members of the Federal Reserve Board who will be members of this may fall too much in love with their new companion, overlooking the primary purpose and functions of the Federal Reserve System, and may unwittingly subject the system too much to the interests of the corporation.

The bill as it came to us had no penalties attaching to a director or other officer who violated the law, who embezzled, misappropriated funds, and so forth, and had no penalties for making false entries, and no penalties for the certifying to or making false statements or overvaluations by anyone for the purpose of securing advances. We have penalties, both fines and imprisonment, for such offenses. Another important limitation, in neither the original nor the Senate bill, which we provide is that the corporation can not advance and have outstanding at any one time to any one person, firm, corporation, or association an amount in excess of 10 per cent of its—the finance corporation's—capital stock. This is similar to the national-bank-act requirements. Before concluding my explanations of this title, let me say that we have thrown another safeguard around the direct advances by the corporation by requiring a quarterly report to the House and Senate, detailing the amount advanced, the names and addresses of the recipients of the advances, the time, and the security accepted.

Title II. Capital Issues Committee.—By this title a committee, called the Capital Issues Committee, is created, separate and distinct from the War Finance Corporation. This is another difference between this and the original bill.

Mr. FESS. Before the gentleman leaves the first title, will he submit to one question?

Mr. KITCHIN. I wish the gentleman would just keep that in his mind. I am going to get through with this in about 5 minutes, and then for 20 minutes I will be glad to answer questions.

Mr. FESS. The gentleman is leaving the first title.

Mr. KITCHIN. I know, but I want to get through with both, and then return and answer questions.

The original bill gave the directors of the War Finance Corporation the absolute power to grant or refuse a license for the issue or sale or offering for sale or subscription of any issue of securities by any individual, firm, corporation, or association, if the total aggregate issue was in excess of \$100,000. In other words, an industrial corporation, if its aggregate issue was in excess of \$100,000, could not put any of its securities on the market for sale; and if any person should buy them, neither could he resell or put them upon the market for sale without first getting a license from this corporation, under penalty of fine and imprisonment. This title of the bill which we present to the House—and it is practically the same as the provision of the Senate bill as it finally passed the Senate—takes from the corporation any power or authority over the issuing of securities, and creates a Capital Issues Committee, to consist of seven members, not more than four of whom shall be of the same political party, to be appointed by the President by and with the advice and consent of the Senate. This Capital Issues Committee has no power to grant or refuse licenses for the issuing of securities or the offering for sale of securities. The only power the Capital Issues Committee has, which for all

practical, legitimate purposes is almost as effective as the mandatory provisions of the original bill, is this: When securities are issued or offered for sale, if the aggregate of the issues is in excess of \$100,000, its only power is "to investigate, pass upon, and determine" whether or not the issue and sale or offer for sale or subscription of such securities is compatible with the public interest. I think, gentlemen, that should be the "national interest" instead of the "public interest," and your committee will, at the proper time, propose an amendment accordingly.

For instance, suppose a corporation or firm of the gentleman from Missouri [Mr. MEEKER] wanted to issue a million dollars of securities and offer them for sale. It would submit them to this committee with all the facts with respect to the purpose and use to be made of them or their proceeds and the necessity of the issue. The committee would make investigation, and it would determine, not whether the issue or sale should be made, but whether the issuing or offering them for sale was compatible with the national interest. If they decide that it is not compatible with the national interest, they will not put any mark on these securities. If they decide that it is compatible, I imagine that their plan will be to approve their issue and sale as compatible with the national interest and permit the corporation or company to publish and, if it is desired, to print on the securities such approval. It will have almost the same effect as if the committee was empowered to grant or refuse a license. If they should decide that the issue or sale of such securities was not compatible with the national interest, they would simply declare that their issue or sale was not compatible with the national interest, and the power of the committee, so far as such securities are concerned, would be at an end.

The corporation or company could proceed to issue and sell its securities, if it could get a purchaser, without violating any law or incurring any penalty. The matter would be left to the patriotism and judgment of the company and to the patriotism and judgment of the purchasers. However, it would be most difficult to put on the market or sell privately, especially to security dealers, securities, the issue and sale of which had been condemned by this committee as incompatible with the national interest.

Just a moment in reference to the qualifications of the members of this committee. Like the membership of the board of directors of the War Finance Corporation, it is no bar to appointment that one is already an officer of the Government. The bill requires that at least three members of the Capital Issues Committee shall be members of the Federal Reserve Board. That provision was put in because there is at present, and has been for a month or more, in the Treasury Department a volunteer capital issues committee, and three members of the Federal Reserve Board are members of such committee and are fairly acquainted with the work to be done by and the duties of the Capital Issues Committee created by this bill. They have all the machinery and are organized in the same way that this committee will be organized. It was the thought of the committee and of the Senate, according to the bill it passed, and also of the Treasury Department, that these three members should be retained as members of this new Capital Issues Committee.

The salary, if the members are not members of the Federal Reserve Board, is fixed at \$7,500, but if a member receives any other compensation from any office or employment under the United States, the amount so received is to be deducted from his salary. If a member receives more than \$7,500 in some other capacity as an officer or employee of the Government, he should receive no salary as a member of the committee.

Title III. Miscellaneous.—This title contains penalties for violations of the provisions of the act not provided for in section 18. It contains also a provision to the effect that no stamp tax shall be required on any note secured by a pledge of liberty bonds or certificates of indebtedness of the Government, provided the par value of such Government obligations equals the amount of such note.

I believe that that provision will meet with universal approval in the House and in the country.

There is another provision in this title of much importance. You see it in the papers, you heard it discussed in the Senate, and it has been discussed here—as to whether or not the corporation bonds, the two billions provided in the House bill and the four billions provided in the Senate bill, would be a moral obligation on the part of the Government, and whether or not the Government should not guarantee such bonds. Some have taken the position that the United States should be bound to stand behind every one of these bonds, though not expressly guaranteeing them. Others take the position that if the United States Government is morally behind these bonds to be issued

by the corporation it ought to expressly by this act guarantee their payment. If the United States is to guarantee their payment, it might as well issue its own bonds and lend the money to the war industries. So that there might be no question about it, so that a person would know that he was getting corporation bonds and not Government bonds, so that everyone would know that the United States was and should be in no way liable, implied or expressed, we added a section to the bill, which specifically provides:

That the United States shall not be liable for the payment of any bond or other obligation or the interest thereon issued or incurred by the corporation, nor shall it incur any liability in respect of any act or omission of the corporation.

But I believe these bonds are going to be practically as good as the Government bonds. Of course, a great deal will depend upon the board of directors. If they are strong, courageous, honest business men, with good judgment—and I am confident it will be that class of men—these bonds will be practically as safe and as good as Government bonds; that is, if the House bill passes.

Every safeguard is thrown around them. The Government, of course, could possibly stand to lose \$500,000,000, which is its capital stock, or whatever part of it is paid in. That amount will be back of these bonds. We so provide. But when you come to think about these war industries, they are, in practically every case, corporations or companies of large assets, owned and controlled by business men of large affairs and big wealth. I sometimes fear that such fellows will get too much of the corporation advances and the smaller fellows too little. Behind every advance made and every bond issued, so far as five-sixths of the business is concerned, which will go through the banks, are the notes of the borrowing companies or corporations and all the securities which the lending banks require of them, and in addition, the notes of the banks and such other securities as the finance corporation may require to make absolutely safe its advances to the banks. The bonds have a floating lien not only upon all these assets but upon the capital stock paid in by the Government. As to the direct loans by the corporation under section 9 they are limited in amount, as I have before explained, to sixteen and two-thirds of the capital paid in plus the aggregate amount of bonds authorized to be issued and outstanding at the time of the advance, which, if the full amount of capital is paid in and the full amount of bonds authorized by the bill is issued, can not exceed \$416,666,666. Such direct advances must have behind them securities worth 133 per cent of their amount. The Government's \$500,000,000 capital stock is an additional asset to which the floating lien attaches. It seems, therefore, that in every business view the corporation's bonds will be absolutely good and safe and amply secured.

As to the direct advances by the corporation, we have thrown another check or safeguard around them, to which I briefly alluded a few moments ago. We have a provision in the bill, not in the original bill, that all of the advances made by this corporation, direct to any person, firm, association, or corporation, must be reported to the Clerk of the House and the Secretary of the Senate by the corporation every three months. In that report it must give the name and the address and the amount of the advance, the nature of the securities, and the terms of the loan made to each individual, firm, or corporation. My own committee differs with me in respect to this provision, and I hope now that it may be persuaded to modify that. I strongly favor and urge now, as I have urged, that the corporation should be made to report quarterly; but I think it ought to be modified in this way: The report should inform Congress and the people each quarter the amount outstanding at the time of the report, and outstanding on the first day of each month, up to the time of the report, how many bonds it had issued and were outstanding them, and how many were outstanding on the first of each month prior to the report, and the nature and amount of the securities taken for the advances, and the average lengths of time for which the loans were made. I would require such reports as to each class of loans or advances. I think it is unwise, as the provision now stands, to require the name of the company, corporation, or individual, and the amount and terms of the advances made to such company, corporation, or individual, and the securities given. If we do, we will give one competitor a great advantage over another. Take two concerns that are competing, making and selling to the Government and the allies the same article. One, we will say, is able to get his money through the banks. No report is made. Neither his competitor nor anyone knows the amount, nature, or terms of his loan or securities given. The other has the banks combined against him, as has frequently occurred in cases of large competition, or without such combination is unable to get funds from the banks.

But he is producing necessary munitions or other articles for the war. It is to the interest of the Government that it continue business and that there be competition in the production of these articles; he must come to the War Finance Corporation for aid. The corporation under the present provision must make a quarterly report and give the name of that particular concern, and the amount of money borrowed, the terms of the loan, and the securities that it had to put up, and every detail of the transaction. All can readily see what a great advantage such a report would give its competitor. It would also have the effect of impairing or destroying the credit of the borrower.

I think I am through with the explanation of the bill, and will now be glad to answer any questions of gentlemen.

Mr. MEEKER. In section 10, when you are discussing the amount that shall not exceed 10 per cent of the capital stock that shall go to any corporation, does that include subsidiary organizations?

Mr. KITCHIN. This corporation has \$500,000,000 capital. It never can make a loan to any one concern to exceed 10 per cent of that. I think the spirit and intent of this section is that in case of a corporation owning a majority of the stock or controlling interest in another corporation, the two would be regarded as one concern.

Mr. DEMPSEY. If the gentleman will permit, under section 7 the provision is made for empowering advances to different banking corporations or concerns doing a commercial business. Under section 8 it empowers advances to certain financial corporations, including savings banks. Of course, there is a difference made between two kinds of business, commercial and saving. Now, under section 8, empowering the corporation to loan to savings banks, there is a limitation made upon the rate of interest?

Mr. KITCHIN. Yes.

Mr. DEMPSEY. But there is none under section 7 making loans to banking institutions or commercial business. What is the difference made between the two? Under section 7, relating to commercial banks, there is no provision made in regard to the interest rate, but under section 8, relative to savings banks, there is.

Mr. KITCHIN. In section 7 advances are made to the banking institutions, which make the loans to industries whose operations are necessary or contributory to the war. The banks thus assume, with such industries, the payment to the corporation of its advances. They would not take the risk of assuming liability and the trouble and expense of handling such loans if it had to pay the extra 1 per cent. The purpose of the advances to the banks under section 7 is not to help the banks, not for their benefit, but to aid and benefit the war industries and at the same time give to the corporations' advances the banks' obligations as additional security for their payment.

But the advances by the corporation to the savings banks are for the direct benefit of such banks, to help them, just as in the case of advances made under section 9 by the corporation to the war industries, to help them. Under section 9 such direct advances bear the same extra 1 per cent as do the savings banks. The savings banks are not required, as a condition precedent, in order to secure advances, that it shall use them for the purpose of loaning to or aiding an industry necessary or contributory to the war. It is not called upon to assume liability for loans for the benefit of others, as in the case of banks under section 8.

Mr. FESS. What change, if any, in the original bill did the committee make in reference to the issuance of Federal reserve notes and exchange for these bonds?

Mr. KITCHIN. The gentleman will understand that the bill does not authorize issuing Federal reserve notes in exchange for the bonds of the corporation; but such notes can be issued on paper eligible for discount or rediscount, secured by such bonds, with the same maturities as is provided under regulations of the Federal Reserve Board under the reserve act.

The rate of interest which a member bank must pay in discounting or rediscounting paper with the Federal reserve bank, secured by such bonds, is not less than 1 per cent per annum in excess of the prevailing rate at such Federal reserve bank.

Mr. FESS. That is a matter of precaution?

Mr. KITCHIN. Yes; that is a matter of precaution and protection to the reserve system.

Mr. FESS. What I wanted to know specifically was whether the circulation per capita under this organization will be increased, and to what extent?

Mr. KITCHIN. You mean the real currency?

Mr. FESS. Yes; the real currency.

Mr. KITCHIN. I think there will be very little currency issued on paper secured by these bonds. In this connection

I would like to ask the gentleman from Virginia [Mr. GLASS], who is chairman of the Committee on Banking and Currency, what is the difference between a Federal reserve bank note and a Federal reserve note? Is it that the Federal reserve bank note must be secured by a Government bond?

Mr. GLASS. The Federal reserve bank note is issued in pursuance of that bank's ownership of United States bonds.

Mr. KITCHIN. And it must have that behind it?

Mr. GLASS. Yes.

Mr. KITCHIN. And the Federal reserve note is only required to have 40 per cent gold reserve behind it in addition to the commercial paper back of the note of the member bank as collateral.

Mr. FESS. That is what I am trying to get at, whether the Federal reserve bank, with the approval of the Federal Reserve Board, can receive these corporation bonds and issue any amount of Federal reserve notes?

Mr. KITCHIN. Oh, no; but if it had the power, it would hardly do that with the extra 1 per cent per annum interest provision. I think under provisions of this bill the Federal reserve bank, with the approval of the Federal Reserve Board, can have issued notes by putting up its note or eligible paper, secured by the bonds of the corporation, just as it could do with the liberty bonds. Whatever you can do with a liberty bond you can do with this bond with respect to Federal reserve bank notes or Federal reserve notes.

Mr. FESS. That is one of the things that is fundamental in this?

Mr. KITCHIN. Yes.

Mr. FESS. There is another question I want to ask—

Mr. CANNON. If the gentleman will allow me, in one case the Government is behind it and in the other case the Government is not liable?

Mr. KITCHIN. Yes; as to the respective bonds; but as to the bank reserve notes, of course the Federal reserve bank will be behind it and the member bank will be behind it, and other securities will be behind it, and the corporation bond will be behind such Federal reserve bank notes.

Mr. FESS. What authority is given to this corporation to use its money for the purchase of liberty bonds?

Mr. KITCHIN. I did not quite catch that.

Mr. FESS. Is the authority in the bill given to the corporation to purchase liberty bonds?

Mr. KITCHIN. Yes; it can purchase any bonds issued or converted by the Government since September 24, 1917, the date the last bond act became a law.

Mr. FESS. I would like to have the opinion of the chairman—

Mr. KITCHIN. It is the opinion of the Federal Reserve Board and of the Treasury Department, as I understand, that this provision will have a stabilizing influence on the market value of liberty bonds.

Mr. FESS. Now, in view of the fact that the chairman has made a very lucid and comprehensive statement of the bill, I should like to have his opinion on what amount of inflation, if any, this bill will have the effect of producing upon the currency?

Mr. KITCHIN. Of course, that is hard to say. It would depend largely upon the administration of the act by the directors, and also it would depend largely, so far as the inflation of the actual currency is concerned, on the Federal Reserve Board. They need not issue a dollar of new currency on the basis of the corporation bonds. There is no right given to a member bank which holds these bonds to go and demand it as a matter of right. I think the Federal Reserve Board has got its eye on that proposition, and the same thought is running through the minds of a majority of the board as is running in the gentleman's mind and through mine. I do not anticipate much inflation of the actual currency. There will be an expansion of credit. There must be, because we have not money enough, if we had all the actual money in the world, to carry on the transactions that the Government must carry on during this war.

Mr. CALDWELL. I was going to ask the gentleman if there was a provision in the bill to prohibit the directors of the corporation from loaning the corporate money to concerns in which they are interested?

Mr. KITCHIN. No. Personally, I think there should be in this case and in every case of boards and commissions and agencies dealing with or advising on the expenditures of Government funds. But we put in this provision—not in the original bill—that no director or officer of this corporation can, directly or indirectly, participate in any loan to any partnership or firm or corporation or association in which he is directly or indirectly interested. If he does do that he is guilty of an offense punishable by fine or imprisonment, or both.

Mr. CALDWELL. I did not see it in the original bill.

Mr. KITCHIN. You understand the Finance Corporation through its directors can make advances to a firm or corporation in which a director is interested, provided such interested director does not, directly or indirectly, participate in the loan.

Mr. CALDWELL. It is the same as in the case of a bank. The bank can not loan to itself. You have not a provision like that. Do you not think it is wise?

Mr. KITCHIN. I think the principle of the gentleman's suggestion should have been incorporated in several other bills that have become law, but the House and Senate did not seem to think so, and the advisers of the administration did not think so, taking the position that such a provision would be a great obstacle to the most efficient administration of the War and Navy Departments during the war. Under the provision in question not only is the interested director forbidden to vote upon the question of making the loan, but he is not even permitted quietly to suggest that his firm or corporation is worthy of the loan or to express a hope to the board that the loan will be made, and so forth. He can not participate in any proceedings in any way with respect to the loan, "directly or indirectly."

Mr. CALDWELL. If it so happens that the directors are heads of a number of institutions, three might sit down and loan \$50,000,000 to the one, and the other three might sit down and loan \$50,000,000 to the other, and so on; but of course the President would not be expected to appoint that class of men—\$50,000,000 is a lot of money.

Mr. KITCHIN. Suppose the President did appoint that class of men, which, of course, he would not. I imagine that if the prosecuting attorney had one-half the legal ability and astuteness that the gentleman has, he could convict them all for collusion in participating in such a transaction.

Mr. GARNER. Also, the President can remove them at any time.

Mr. KITCHIN. The President can remove them at any time. That is one of the provisions of the bill to which I have failed to call attention. The President can at any time remove any of the directors of this corporation, or members of the Capital Issues Committee, or any officer.

Now, the gentleman from Pennsylvania (Mr. McFADDEN) has been on his feet for some time, and I yield to him.

Mr. McFADDEN. I want to ask the chairman of the committee two or three questions.

Mr. KITCHIN. Can not the gentleman put all his questions in one, because I am going to stop in a few minutes, when my time will be up?

Mr. McFADDEN. Following the question of the gentleman from Ohio (Mr. Fess) a little further in regard to the issuance of Federal reserve notes, is the gentleman of the opinion that the deposit by member banks of notes secured by these corporation securities with any one of the 12 reserve banks would be legal reserves?

Mr. KITCHIN. I do not think so. Let me ask the gentleman there: In your opinion, can or can not the Federal reserve bank take a note of a member bank secured by liberty bonds, not bearing the circulation privilege—and none of them do bear it—and issue Federal reserve notes on them? I do not refer to Federal reserve bank notes, but Federal reserve notes.

Mr. McFADDEN. No privilege is granted that is not given to United States bonds in this respect, but I am not speaking of the notes, but of legal reserve.

Mr. KITCHIN. I am asking for your opinion and information now.

Mr. McFADDEN. I was speaking particularly of a member bank taking a note from a corporation. The member bank takes that note and deposits it in the Federal reserve bank of its district and receives credit for it. Is there any difference between that credit and the deposit of gold? The bank gets credit on which it can grant loans.

Mr. KITCHIN. As a bank credit against which checks can be drawn? No. But such a note is supposed to be paid in gold or money when due, otherwise the bank would not give the credit against it. I do not know as much about the Federal Reserve System as I ought. I do not know half as much about it as the gentleman from Pennsylvania [Mr. McFADDEN] does, for he is a member of the Banking and Currency Committee and has given great detailed study to it; but my understanding of the way the Federal reserve notes are issued is that they are issued to a Federal reserve bank. The reserve bank must put up the notes and eligible paper as security, and also there must be behind them 40 per cent in gold before any Federal reserve note can be issued.

Mr. McFADDEN. That is true.

Mr. KITCHIN. In other words, if the amount of a Federal reserve note is to be \$100, there must be put up \$40 in gold as a

reserve against it. And the bank that is going to get these reserve notes must put up its note and back it with eligible paper. That is as I understand the way the Federal reserve notes are issued, and the Federal reserve bank notes are issued on deposit of Government bonds as collateral to the bank note.

Mr. McFADDEN. That is true.

Mr. KITCHIN. If that is so, I think I can answer all of the gentleman's questions in one. If that be true, I do not think under this bill any man need be alarmed at all about the issuing of Federal reserve notes to the extent of unreasonable inflation.

Mr. McFADDEN. That is true so far as the actual issuance of Federal reserve notes is concerned.

Mr. KITCHIN. I thought that was what the gentleman was getting at.

Mr. McFADDEN. But a member bank deposits a customer's note, secured by these War Finance Corporation securities, with the Federal reserve bank, and receives credit—

Mr. KITCHIN. Yes. The member bank, of course, can destroy itself if it wants to. The Federal reserve bank, perhaps, can destroy itself if it wants to, and the Federal Reserve Board can destroy the system if it wants to, but no new money or Federal reserve notes can get out anywhere until the Federal Reserve Board orders it. It passes on the security. The Federal reserve bank passes on the security. The member bank that makes the first loan on the security passes on it. The Federal Reserve Board finally must pass upon the wisdom and necessity of further note issues. I do not see how we are in much danger of getting unreasonable inflation—

Mr. McFADDEN. In this way, that the member bank—

Mr. KITCHIN. You are going to have an expansion of credit, of course.

Mr. McFADDEN. The Federal reserve member banks under the law are required to keep a 7 per cent reserve on deposits. In other words, with a \$7,000 balance at the Federal reserve bank it can loan \$100,000, or increase its deposits to that extent. The deposit of the note of the member bank at the Federal reserve bank is just the same as if they deposited money or gold. There is no difference between this kind of credit and the kind of credit established by the deposit of gold.

Mr. KITCHIN. If a man has the security which is supposed to get the money or gold when due to continue the credit; yes.

Mr. McFADDEN. The danger of inflation is not with the issuance of Federal reserve notes, but through the inflation of credit, which is the same thing.

Mr. KITCHIN. I thought the gentleman was heretofore referring to inflations by issue of Federal reserve notes, because I know that was in my mind when I first studied the bill, and it was in the gentleman's mind first, because we discussed it.

Mr. McFADDEN. I should like to ask the gentleman one other question.

Mr. KITCHIN. Certainly.

Mr. McFADDEN. The gentleman said, during his very fair statement of the bill, that he could not imagine anyone would advocate the loaning of this money on the part of the Government direct to banks and industrial institutions. That is, if they did, it would require the immediate sale of \$4,000,000,000 worth of Liberty bonds.

Mr. KITCHIN. I said I did not believe any man would advocate or favor the Government coming to the rescue of the war industries direct from the Treasury, and that sooner or later it would require, if you are going to lend \$4,000,000,000, as provided in the original bill, issuing bonds to that amount or greatly increasing taxation.

Mr. McFADDEN. Then the gentleman admits that \$4,000,000,000 is to be raised from this source by the creation of this law?

Mr. KITCHIN. No. I said that under the original bill \$4,000,000,000 in bonds would be issued, but that we had limited it to \$2,000,000,000, and if the Government had to do it directly the Government would have to issue \$2,000,000,000 of bonds or raise that much additional by taxation. It may later on develop that it will take \$4,000,000,000, but the thought of the committee was that it ought to cut to \$2,000,000,000; that we should wait and see how this bill is going to operate; that if Congress is satisfied with the operation and conduct of the business and it later is shown that the \$4,000,000,000 is required, Congress could then make the authorization. The Treasury Department is anxious, and says it is necessary, to increase this limit to \$4,000,000,000. Your committee said to it that when the corporation issues bonds up to \$1,000,000,000 or \$1,500,000,000, and from the reports sent to Congress and upon investigation Congress is satisfied that the business of the corporation has been managed wisely and in accordance with the act, there will be no trouble in getting the authority to issue more of these bonds.

Mr. LONGWORTH. The gentleman will recall that Mr. Warburg, while he said that it would be advisable to have the limit placed at \$4,000,000,000, said that he did not expect anything like that would ever be issued.

Mr. KITCHIN. Yes; that is true.

Mr. McFADDEN. The gentleman said that a large percentage of the advances would come from the banks—national banks, State banks, and trust companies?

Mr. KITCHIN. Yes; that is, the banks will handle, or are expected to handle, most of the loans to the war industries and receive most of the advances from the corporation. The authors of the bill, the Secretary of the Treasury and Mr. Warburg, who appeared before our committee, said that the primary object was to require practically all of the business of the corporation to go through the banking channels, and that in exceptional cases only would advances be made direct by the corporation.

Mr. McFADDEN. That being the case, is not the burden still on the banks?

Mr. KITCHIN. Yes; in the sense I have just explained.

Mr. McFADDEN. Then, why create an institution of this kind?

Mr. KITCHIN. The burden is not on the banks in that sense. The gentleman's proposition is to burden the Federal Reserve System with the whole burden of the powers and responsibilities and duties contained in this bill. The benefits or burdens, if any, of this bill apply to State banks, savings banks, trust companies, and all kinds of banking institutions.

Mr. McFADDEN. Will not the sale of these bonds come into competition with the sale of Liberty bonds?

Mr. KITCHIN. I think so, to some extent. I regard that as one of the dangers in the operation of this bill. I am afraid that they will compete with the Government bonds to a larger extent than does the Secretary of the Treasury. He said that there might be some danger. This matter necessarily must be left to the good judgment and the wisdom of the directorate and the Secretary, who is chairman of the board of directors. I feel confident they will arrange it so that they will not measurably handicap the sale of Government bonds.

Mr. LONGWORTH. May I suggest that the rate of interest must be subject to the approval of the Secretary of the Treasury?

Mr. KITCHIN. Yes; and properly so.

Mr. McFADDEN. I want to call the attention of the gentleman to the fact that recently the Farm Loan Board were unable to sell their securities and had to come to the United States Treasury for help.

Mr. GLASS. If the gentleman from North Carolina will yield, that statement needs to be modified somewhat; they thought that they could not sell them, but, as a matter of fact, they have not yet come to the United States Treasury for help.

Mr. MADDEN. But they have got the authority.

Mr. DENISON. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. DENISON. I want to ask the chairman if the theory of the bill is that this corporation is to be self-sustaining?

Mr. KITCHIN. Yes; and there may be a little profit in it. We provide that its net earnings may be liquidated and put into Government bonds, and so forth.

Mr. DENISON. How about the salaries, and so forth? Are they to be paid by the corporation?

Mr. KITCHIN. Yes; but the salaries of the Capital Issues Committee, which is entirely separate from the corporation under our bill, will be paid by the Government.

Mr. DENISON. Is there any provision in the bill about the limits of this corporation?

Mr. KITCHIN. I am glad the gentleman has asked about that. I may have overlooked that in my explanation of the details of the bill. The life of the corporation is 10 years; but it can not do any business, except winding up its affairs and liquidating its assets, after six months after the termination of the war, the time of such termination to be proclaimed by the President. In other words, it can make no more loans, issue no more bonds, after six months following the termination of the war. The directors must then begin to wind up its business, liquidate its assets, and turn any net earnings or surplus over to the Treasury of the United States.

Mr. MOORE of Pennsylvania. But the war corporation is authorized to last for 10 years.

Mr. KITCHIN. Yes.

Mr. LONGWORTH. Their functions are confined to the period of the war and six months thereafter, except as to the liquidation of assets?

Mr. KITCHIN. Yes.

Mr. DENISON. In the consideration of the bill did the chairman discover any sentiment at all in favor of a permanent institution of this kind?

Mr. KITCHIN. No; it is purely a war measure, and I am sure no member of our committee would vote for the bill except as a necessary war measure.

Mr. CANNON. Are the obligations of this corporation which is about to be organized subject to taxation, State or Federal?

Mr. KITCHIN. They are subject to the taxation that the liberty bonds issued under the act of September 24, 1917, are subject to—that is, estate tax, surtaxes, and excess-profits taxes, with the same exemption with respect to the \$5,000 which the gentleman had put into the last liberty bond act.

Mr. CANNON. That answers the question.

Mr. MOORE of Pennsylvania. Is not that one of the reasons why it is expected that these bonds will sell?

Mr. KITCHIN. That is one of the inducements for a person to buy.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. KNUTSON. What kind of exceptional cases did the committee have in mind when it framed section 9?

Mr. KITCHIN. War industries which in many cases included public-utilities companies and power plants when they show that they can not get the money through the banks or general public.

Mr. KNUTSON. If they can not get the money through the banks, they are questionable loans, are they not?

Mr. KITCHIN. Oh, no; not necessarily so. They may be most solvent and worthy of credit, but the banks, with such demand upon them by the Government to buy certificates of indebtedness and to furnish money to customers to buy liberty bonds, may not have the necessary funds.

Mr. KNUTSON. Why should they not be compelled to furnish just as much security as those who make their loans through the banks?

Mr. LONGWORTH. They have to furnish more.

Mr. KITCHIN. They have to furnish equally as much securities—securities equal to 133 per cent—if the loan must be given. I think the gentleman is looking at the original bill.

Mr. KNUTSON. That overcomes, then, the objection that I had.

Mr. JOHNSON of Washington. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. JOHNSON of Washington. I understood the gentleman to say that this bill contemplated taking care of all banks alike—that is, Federal, State, and private banks.

Mr. KITCHIN. No; not taking care of all the banks, but to make advances to banks, whether State or national, when they make loans to industries contributing to the prosecution of the war.

Mr. JOHNSON of Washington. I would like to call the gentleman's attention to what is now happening. A prominent banker states that he has a communication from the auditor of the United States Emergency Fleet Corporation to the effect that they will discontinue carrying a certain trustee account unless the bank becomes a member of the Federal Reserve System. This is a large State bank handling money on account of shipbuilding.

Mr. KITCHIN. I appreciate what the gentleman says. If that State bank is sound and safe and perfectly worthy of the deposit, I think the auditor referred to ought to be rebuked for trying to coerce by such a method or threat this bank into the reserve system.

Mr. JOHNSON of Washington. And the bank says it can not go into the Federal Reserve System.

Mr. KITCHIN. Yes. This corporation under this bill makes absolutely no distinction between State banks and banks that are members of the Federal Reserve System.

Mr. JOHNSON of Washington. And it would rise above the Federal Reserve System?

Mr. KITCHIN. Yes.

Mr. McKENZIE. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. McKENZIE. The gentleman was asked a question by some one here as to whether or not this law would interfere with the sale of liberty bonds, and I think he answered that that might possibly be true.

Mr. KITCHIN. Yes.

Mr. McKENZIE. It has been my understanding that one of the purposes of this law is to control credits in order that the Government may be assured that it can sell its bonds without selling them at a high rate of interest.

Mr. KITCHIN. The gentleman is right. That is one of the primary objects to be accomplished by the Capital Issue Committee title of the bill.

Mr. ANDERSON. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. ANDERSON. Section 9 of the bill provides for the direct loans?

Mr. KITCHIN. Yes.

Mr. ANDERSON. What I want to ask the gentleman is this: Is the language used in this and other sections touching those eligible for advances, or the character of advances possible under the bill, intended to exclude a going agricultural enterprise?

Mr. KITCHIN. No; not all. I can conceive of an established agricultural industry that is necessary and contributory to the war, and it would be amenable to the provisions of this bill. That is, it would come within the provisions that make it eligible to apply for loans from the corporation or from the banks.

Mr. ANDERSON. It struck me so under the language, and that is the reason I asked the question.

Mr. DOWELL. Would that apply to the individual?

Mr. KITCHIN. Yes; the individual would come under the provisions if he was engaged in an industry necessary or contributory to the war, and we can all conceive of many kinds of agricultural industries necessary or contributory to the war, but generally one engaged in agriculture can get the necessary funds from his local banks. I think, too, a reclamation or an irrigation association that could show that it was necessary and contributory to the prosecution of the war, and that it could not get the necessary funds elsewhere, and could put up the proper security and comply with the other terms, would be just as eligible to apply for that loan as the Du Pont Powder Co.

Mr. MOORE of Pennsylvania. If the gentlemen will look on pages 69 and 70 of the hearings, they will find that the Secretary of the Treasury answered that question.

Mr. KITCHIN. I thought that the Secretary of the Treasury answered it.

Mr. REED. Liberty bonds are quoted now, or have been quoted, below par?

Mr. KITCHIN. Yes, sir.

Mr. REED. And the idea of this is that this bill will stabilize them?

Mr. KITCHIN. The provision whereby the corporation can purchase such bonds will have a tendency to stabilize them.

Mr. REED. That never contemplates the original purchase or new issues, but those just thrown on the market?

Mr. KITCHIN. But the corporation would have the right to subscribe for original issue of bonds. However, it will deal, for the most part if not all, as the gentleman suggests. As to bonds being below par, there are just a few millions that have been offered for sale—just a limited few, not anything like \$100,000,000 worth—and, of course, they are quoted. But I have never seen a person yet that had a bond that would take less than par for it. I have asked several parties if they were ready to sell their bonds at less than par; they replied that they were not. I have never found anyone willing to do it, and I doubt if this quoted market value of the bonds is really a bona fide market value.

Mr. REED. They place them with the broker and get bids at these prices?

Mr. KITCHIN. Yes.

Mr. STERLING of Illinois. I think the gentleman did not understand the question asked by the gentleman from West Virginia [Mr. REED]. As I understood him, he asked the question whether or not this corporation could buy Government bonds when they were originally issued or whether they were confined to bonds of later issue.

Mr. KITCHIN. Yes; it could subscribe for bonds as originally issued.

Mr. MONDELL. During his illuminating discussion of the bill the gentleman called attention to the importance of the personnel of the organizations which the bill provides. He emphasized the importance of the personnel being of a character to command the respect and the good judgment of the country, and his committee has very wisely provided that not over three of the members of the corporation and four of the members of the committee should be of one political party.

I wanted to know how the committee views that provision. Was that viewed by the committee as merely a matter of persiflage and verbal camouflage, or is it considered a real provision in the bill which the committee hopes and expects will be carried out in good faith and honestly, so that the business and

the corporation will really represent the views of the country economically and politically?

Mr. KITCHIN. Well, after the manner of answering questions in the House of Commons, I will say to the latter part of the gentleman's question, I answer in the affirmative. [Laughter.]

Mr. MONDELL. Then the gentleman is more hopeful of the future in this particular respect than he has reason to be gratified at the experience of the past?

Mr. KITCHIN. If the gentleman take the commissions and boards that have been appointed under Taft's administration or the Wilson administration, where it was intended by the law they should be nonpartisan, and it was specified in the act that not more than so many of a political party should be appointed, he will find that such requirements have been carried out very fairly under both administrations.

Mr. MONDELL. If the gentleman will accept an amendment striking out the administration which he last referred to, I will vote for his proposition. But the gentleman does believe—

Mr. KITCHIN. Your suggestion is out of order. [Laughter.]

Mr. MONDELL. The gentleman does believe, personally, that it is important that a bill of this kind should be carried out in good faith?

Mr. KITCHIN. I do. Take the Federal Trade Commission and the Federal Reserve Board, appointed by Mr. Wilson, and if I wanted to bet—and I never did bet, for if I did, I would lose [laughter]—here is one bet that I would win, that the majority on both of those commissions are of a party opposite to that of the administration.

Mr. MONDELL. On what information does the gentleman base that statement?

Mr. SMITH of Michigan. What is the objection to the Government being responsible for those bonds?

Mr. KITCHIN. If it is going to be responsible, why not issue its own bonds?

Mr. SMITH of Michigan. There are two reasons why the Government should. In the first place, they are competing with Government bonds, and, in the next place, it is for the benefit of the Government solely and entirely. And another thing—

Mr. KITCHIN. I will say to the gentleman that I think it would be unfortunate for the Government to do it, and I would not favor this proposition at all if the Government had to guarantee all these bonds. I should say, if the Government is to be responsible, it would be the wise thing for it to issue and sell its own bonds to finance direct the industries necessary or contributory to the prosecution of the war. Then there would be no competition in sale of bonds and no question as to them. All would be alike.

Mr. SMITH of Michigan. We are going out very soon to help sell these bonds, and these questions will be asked.

Mr. KITCHIN. The gentleman can just tell them that the bill itself declares specifically and expressly that the Government is not responsible for a penny of the principal or interest on these bonds or for any act of commission or omission of any of the directors or officers of this corporation. The Government has already put into it, or shall have put into it, \$500,000,000 when the capital stock is fully paid in, as part of the assets as security to the bonds, and they are going to have all the securities of the banks and corporations and individuals to which loans are made.

Mr. SMITH of Michigan. Denominated "commercial paper," and nobody thinks that what is denominated as commercial paper is as good as securities of their Government.

Mr. MEEKER. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes; and I will then take my seat.

Mr. MEEKER. Can the Government loan to any subsidiary corporation? It says here in section 10—

That in no case shall the aggregate amount of the advances made under this title to any one person, firm, corporation, or association exceed at any one time an amount equal to 10 per cent of the authorized capital stock of the corporation.

Now, if they loan up to 10 per cent of the capital stock of the corporation to the parent corporation, can they loan up to 10 per cent to a subsidiary corporation?

Mr. KITCHIN. I would say that according to the strict letter of that provision they could so loan, but not according to its spirit and intent, and no directorate would make such a loan under such circumstances to the subsidiary corporation; that is, a corporation the majority of whose stock or the controlling interest is owned by another corporation if to the parent company the 10 per cent had been advanced and was still outstanding. I say that the loan to the parent and such subsidiary

together ought not to be over 10 per cent. I thank gentlemen for their patience and attention. [Applause.]

Mr. FORDNEY. Mr. Chairman and gentlemen, the gentleman from North Carolina [Mr. KITCHIN] has explained so thoroughly the purposes of the bill that, so far as I am concerned, I am going to be very brief, if permitted, in explaining my views about this bill and its purposes.

It is an emergency measure and nothing else. That is all there is to it, and that is all there ought to be to it. The gentleman from Texas [Mr. GARNER] asked Mr. Warburg when he was before our committee what he thought of this bill, and he said, "It is an emergency measure, and therefore I am in favor of it." I will quote his exact words. The gentleman from Texas then said to him, "Mr. Warburg, what would you think of this law in normal times?" His reply was, "It would be absolutely rotten, sir; absolutely rotten."

It is an emergency measure, because we are doing great things and taking great chances at this time throughout the whole world. It is for the purpose of making available certain securities as collateral to loans that are not available for that purpose to-day.

All will agree that the Federal reserve banks to-day have saved us from a financial panic. [Applause.] The Federal reserve banks under existing law can only loan on commercial paper—paper given in the payment or the promise of payment in a business transaction—for instance, in the purchase of goods or real estate or any other property. The local banks, the member banks of the Federal reserve bank, can rediscount such paper with the Federal reserve bank, and no other paper; that is to say, a direct loan made to an individual or corporation by a member bank; and that company's paper given the member bank can not rediscount with the Federal reserve bank.

I wish to repeat: Commercial paper alone can be rediscounted by the member banks in a Federal reserve bank, and therefore collateral security, such as is expected to be offered under the terms of this bill, is not available for rediscount for loans in the Federal reserve banks.

In normal times the annual products of the country, agricultural and manufactured, exceed in value \$30,000,000,000. With inflated values, such as there are now all over this world, due to this great world war, our products, agricultural and manufactured, exceed in value this year more than \$50,000,000,000. There is in round numbers in circulation in this country \$6,000,000,000 in money of all kinds at the present time, and in June of this year more than half that sum will be called into the United States Treasury from taxes; and if you remove from the business channels of this country one-half of all the money of this country and pay it into the Treasury of the United States any business man can understand that there is going to be a scarcity of money in the country to be loaned to the industries of the country to carry on the production of goods, agricultural and manufactured.

My candid opinion is that the real purpose of this bill is to loan money to the great railroads of the country chiefly, and I will tell you why. There is an estimated valuation of railroad property in the United States to-day of \$17,500,000,000. In my candid opinion their value is \$20,000,000,000. Because of legislation, both State and National, that has been unfriendly to the railroads of the country for the past 10 or 15 years the railroad property of the country is not as valuable as heretofore. That is to say, investments in railroad property are not attractive, and railroad securities have gone clear out of sight on the toboggan slide.

Of the railroads of the country last year 750 railway systems in all borrowed but \$57,000,000, or three-tenths of 1 per cent of their valuation, based upon \$17,500,000,000. The money lenders of the country will not lend money to the railroads. Of course, while the railroads are under Government control, with the guaranty of a certain rate of income based on the value of the property while the Government is behind the railroads, railroad securities sell at better prices in the market than if the Government were not back of them. But if I were loaning money I would not loan to the railroads of the country. I would much rather accept municipal bonds at a reasonable rate of interest, because most of the municipal bonds of the country are exempt from taxation.

That is one reason why money lenders will invest in such securities. The second is they are the best class of loans in the country except real estate mortgages. They are more apt to be paid. But with 750 railway systems of this country last year, as I said before on the floor of this House, borrowing only \$57,000,000, with the Interstate Commerce Commission fixing the maximum rates on freight and passenger fares the railroads can charge, and the Congress of the United States fixing the

minimum wage scale—two great bodies, one fixing the income and the other fixing the outgo—railroad property is in a bad fix. And the condition is going to get more chaotic every day unless we have some more favorable legislation in the interest of the railroads. The railroads of this country are the bone and sinew of the industrial world—

Mr. MADDEN. Did the gentleman notice in this morning's paper that the Interstate Commerce Commission had issued an order increasing the railroad freight rates 15 per cent?

Mr. FORDNEY. Fifteen per cent on what and where, my friend?

Mr. MADDEN. Railroad rates.

Mr. FORDNEY. There are three great railway divisions in the country, fixed by the Interstate Commerce Commission. One is west of the Mississippi River, another south of the Ohio River and east of the Mississippi River, and the third is north of the Ohio River and east of the Mississippi River. This increase in rates does not apply to all the railroads in the whole country.

Again let me say to the gentleman—I am diverting, however, from the purpose of my argument—that the increased rates allowed by the Interstate Commerce Commission to the railroads of this country in the last 10 years are not one-tenth of the amount that has been permitted in the way of increases by the principal countries of this world to their railroads. I had occasion to look that up only a short time ago.

Mr. MADDEN. I am not complaining at this increase of rates.

Mr. FORDNEY. Neither am I. I understood the gentleman about that.

Mr. HICKS. I think this rate increase was only on specific articles and not a general increase on all commodities.

Mr. FORDNEY. When it is applied on all articles in general the gentleman will find that the percentage of increase is so small that it does not amount to much. In other words, the Adamson bill increased the operating cost of the railroads of this country, according to the best information I can obtain, more than \$100,000,000, and no adequate income has been allowed to the railroads to meet that additional cost. But the principal purpose of this bill is to loan money to the railroads. When I say to you that the railroads were only able to borrow last year three-tenths of 1 per cent of their total capital value you can understand that the money lenders of the country are not anxious to loan to the railroads.

Mr. DILLON. The bill that we just passed relative to the taking over of the railroads provided for loans to the railroads, did it not, and does not that sufficiently supply that need?

Mr. FORDNEY. I will say to the gentleman, no.

Mr. DILLON. Why not?

Mr. FORDNEY. The gentleman is correct, and yet not exactly correct. The purpose of the \$500,000,000 loan authorized in the railroad bill recently passed, as I understand it, is to purchase equipment, to better the railroad systems of the country, to purchase terminals, and buy rolling stock, which the railroad companies have not had the money to purchase. We are in a chaotic condition to-day in the shipment of goods all over this country on every railroad. Now, why? I will tell you why. Because of adverse legislation that I have spoken of, the railroads of the country have not had the money to keep up their betterments, and with the greatly increased production of goods in this country, and products of every kind, the railroad companies have not had the money to build locomotives and cars and better bridges and terminals, and to lay heavier steel, and these roads are at the present time in a condition run down at the heel. This \$500,000,000 appropriated in the railroad bill is to answer that purpose, and not to loan to the railroads money they must have for many other betterments.

Mr. DILLON. Does not the bill directly authorize the purchase of bonds issued by the railroads?

Mr. FORDNEY. Railroad bonds?

Mr. DILLON. Yes. The bill itself provides that the Government may buy and sell bonds that may be issued.

Mr. FORDNEY. The bill provides that the President may approve of the issue of bonds authorized by the railroads, in his judgment.

Mr. DILLON. And to purchase?

Mr. FORDNEY. No; I beg to differ with the gentleman. It is not to buy railroad bonds. That is not my understanding of the bill.

Mr. DILLON. If the gentleman will examine it, he will find I am correct.

Mr. FORDNEY. When I first read the bill that was my inference, but when you read the bill carefully you will see that it authorizes the President to approve of the issue and

sale and purchase of those bonds. I may be wrong about this, and if so I want to be corrected. If there is such a provision in the law, the President ought to be burned in effigy if he steps out now and attempts to purchase railroad bonds on the market to bolster up the value of railroad stocks and bonds. Let me call your attention to the depression in railway stocks and bonds, because it is the gist of this argument. I want to tell you where the stocks and bonds of the railway companies have gone in the past few years. I have here a list of the bond values of 26 of the largest railroads in the United States, bonds of those companies sold since 1906 down to and including 1917. They went all to pieces. Some of you gentlemen are more familiar with some of these roads than with others, as I am; but the 4 per cent bonds of the Atchison, Topeka & Santa Fe Road went from 104½ to 83½, their par value being \$100. The Atlantic Coast Line went from 95½ to 80; Baltimore & Ohio, from 101½ to 78; Chesapeake & Ohio, from 109 to 70; Chicago, Burlington & Quincy, one of the most valuable roads of the country, traversing one of the richest territories in the United States, from 103½ to 81½.

Mr. SLOAN. Will the gentleman yield, or does he desire to finish his statement?

Mr. FORDNEY. I will yield, although I want to go on with this argument.

Mr. SLOAN. What I desire to know is this: These bonds were supposed to be secure. Does not the gentleman attribute the reduction in the market price of these railroad bonds to the competition of a large amount of Government securities bearing a comparatively high rate of interest, and which are practically exempt from taxation?

Mr. FORDNEY. No, my friend; what I am trying to illustrate is this, that at the time when the Government took control of the railroads their financial situation was critical. Money was very hard to obtain by people who must have money, and the railroads needed more money than any other great industry in the country.

Mr. SABATH. Will the gentleman yield for a question?

Mr. FORDNEY. Yes.

Mr. SABATH. Is it not a fact, perhaps, that the public lost confidence in these railroads on account of the stories of the dishonest operations of some of the officials of these roads, like the New Haven and others?

Mr. FORDNEY. I have heard a great deal about thieves. I never caught but one thief in my life, and I saw him steal and I caught him. I am not ready to convict everybody upon the simple statement that the average man of business is a thief. I do not believe that the average railroad in this country has been so handled that it has gone to pieces because of thieves in its management. Some roads have undoubtedly been mismanaged; not altogether because the management was dishonest, but it was incompetent and perhaps sometimes dishonest along with it. I know of no railroad officials who have been stealing, and if I did know of any I would report them to the Attorney General.

Mr. SABATH. My question was whether, due to the circulation of these reports, and due to the mismanagement on the part of some roads, have not all railroads suffered thereby?

Mr. FORDNEY. I do not think that is the chief cause.

Mr. SABATH. That is one of the causes.

Mr. FORDNEY. Will the gentleman let me answer, we can not both talk at once, for if we do it will be sort of a half-bred argument.

Mr. SLOAN. Will the gentleman yield?

Mr. FORDNEY. Let me answer the gentleman first. I do not believe that because of some mismanagement of a few railroads in the country that is the cause of the depreciation of railroad values in the country. Now, I will yield to the gentleman from Nebraska.

Mr. SLOAN. There has been no charge of thievery or mismanagement in the roads the gentleman has mentioned, the Union Pacific, Atchison, Burlington, Northwestern, or any of the granger roads, except possibly the Rock Island?

Mr. FORDNEY. I am not charging mismanagement of the roads or dishonesty. I do not know of any dishonesty in the management of the great railroads of this country, although I have heard of it.

Mr. WALSH. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. WALSH. Has the gentleman read the report by the Interstate Commerce Commission which investigated the management of some of these roads?

Mr. FORDNEY. Yes; but not all.

Mr. WALSH. And did not they condemn the management and the way the finances were used?

Mr. FORDNEY. Suppose I did read it all; I would not know anything about it except what a member of the Interstate Commerce Commission said about it.

Mr. WALSH. The gentleman would if he read the testimony and was able to form an opinion, and I know the gentleman is.

Mr. FORDNEY. No; I was not present. Now, if the gentleman will let me proceed, I want to be kind to everybody, because I have no ill will against anybody.

Mr. JUUL. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. JUUL. Will the gentleman tell me what period of time lies between the high valuation of the bonds and the lower valuation?

Mr. FORDNEY. From 1906 down to date, but chiefly in the last two years.

Mr. JUUL. Two years between the high and the low value.

Mr. FORDNEY. Between 1906—that is the farthest period of time back—down to the 1st of January, 1917, and from that to December, 1917.

Now, the Chicago, Milwaukee & St. Paul road's bonds declined from 98½ to 69; the Chicago & North Western from 100½ to 70½; the Delaware & Hudson from 103 to 87; the Great Northern from 101½ to 86; and so on down the whole 26. I will not take the time to read them all. The average shrinkage of all these bonds of these companies was 16½ per cent on all the roads.

Now, the value is there. The value of the stock depends on the value of the property, and not only upon its value but upon the successful management of the companies. You may have an institution with a million dollars of capital paid in and a million dollars' worth of property and a million dollars of par value of stock, but your stock is not worth 2 cents on the dollar unless that institution is successfully managed.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. GREEN of Iowa. The gentleman speaks of the depreciation of railroad bonds; the gentleman is aware that all bonds have greatly depreciated in value?

Mr. FORDNEY. Yes; but, my friend, the railroads are in a chaotic condition financially to-day, and the purpose of this bill is really to aid the railroads more than any other industry, in my opinion. All values have shrunk in the country and so have stocks since the war has been declared.

Mr. GREEN of Iowa. I had here the other day a chart which I intended to use when we were discussing the railroad bill, which made a comparison of the rise and fall of railroad bonds and other bonds and railroad stocks and other stocks, and there was no appreciable difference in the rise and fall between railroad stocks and other stocks. They all depreciated in the same ratio and in the same way.

Mr. FORDNEY. The gentleman's argument is evidence that the financial circumstances of the roads are in bad shape. Financiers having the money do not want to loan it, and so it makes it impossible to get money at reasonable rates of interest. That is the purpose of this bill—to aid such industries in getting money.

Mr. DILLON. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. DILLON. I want to call the gentleman's attention to the provisions of section 7 of the railroad bill:

The President may, out of the revolving fund created by this act, purchase for the United States all or any part of such securities at prices not exceeding par, and may sell such securities whenever, in his judgment, it is desirable at prices not less than the cost thereof.

Mr. FORDNEY. What is the purpose of that? The purpose is that if the railroad comes to the Government to get any portion of the \$500,000,000 to buy betterments, rolling stock, heavier steel rails for terminals to add to the betterments of the railroads, all the railroad companies have got to offer to the Government is their stock and bonds, whatever security they may have, but it does not authorize the President to go out and promiscuously buy railroad bonds on the market.

Mr. DILLON. Let me read a further provision in reference to the reorganization of these companies.

Mr. FORDNEY. I wish the gentleman would not take up all of my time. I will concede that the President has authority to buy these bonds, but the money put into the bonds is to go to the railroad companies for betterments of the railroad, and it does not authorize him to buy bonds floating around the country issued 10 years ago. The gentleman and I disagree only as to the purpose.

Mr. DICKINSON. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. DICKINSON. The gentleman stated that the purpose of the bill is to aid the railroads. Does the gentleman find the word "railroad" in the bill?

Mr. FORDNEY. No; and I do not find the word "sugar-coated," and yet it is sugar-coated from top to bottom. There is nothing in the bill about railroads, but you will agree that the railroads are in the worst condition to-day financially than any other industry of the country and will get the major portion of these loans.

It was stated by the Secretary of the Treasury and by Mr. Warburg, who appeared before our committee, that they feel they must within the next 30 days, I believe, loan to the New Haven Railroad \$45,000,000. That is one to begin with. Now, you can take care of a whole lot of little institutions in the country with \$45,000,000.

Mr. LONGWORTH. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. LONGWORTH. I simply want to inject the fact, however, that under this bill the limit of the amount that could be loaned directly to the railroads is one-sixth of the outstanding capital stock.

Mr. FORDNEY. Yes; but one-fifth of \$500,000,000 is \$100,000,000, and with that capitalization there would still be \$55,000,000 left.

Mr. STERLING of Illinois. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. STERLING of Illinois. I think the idea of the Secretary of the Treasury was not that this corporation would loan that entire amount to the New Haven Railroad Co.

Mr. FORDNEY. No; I think not. I think I rather exaggerated that.

Mr. STERLING of Illinois. But that if they would loan a considerable per cent of it, the banks would be willing and able to take care of the rest of the loan to the company.

Mr. FORDNEY. Yes. Let me get to the gist of the point. The committee threw safeguards around the bill to that extent, as the gentleman from North Carolina [Mr. KITCHIN] has fully explained, that not more than 10 per cent of the capital and issue of bonds can be loaned to institutions directly by this corporation. The remaining 90 per cent must come through the local banks with the indorsement of the local banks. The difference between those two loans is this: The purpose of this bill is to loan to local banks, National or State, 75 per cent of the money that the bank loans directly to the institution, and only 75 per cent, but that bank must indorse that note on which the loan is made. The loans to be made through the local banks, National or State, must be secured and that security turned over to this Finance Corporation with the collaterals and notes, together with the indorsement of the local bank of that note. That is double security, but the direct loans authorized up to 10 per cent may be made by the Finance Corporation directly to the company or individual without the indorsement of any bank. But in such loans the corporation then must demand 133 cents collateral securities for 100 cents of loan. That is the difference between the two loans. That loan when obtained directly through the institution with 133 cents of collateral on 100 cents of loan is not as good as the loan that comes through the local bank, because there is an additional 33½ per cent collateral required with the loan through the bank, and in addition to that, there is the indorsement of the local bank, and that class of loans is better than the direct loan.

Mr. REED. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. REED. This corporation, which is temporary, and which has been denominated as rotten, can only provide for loans for a five-year period.

Mr. FORDNEY. Yes; the corporation must cease six months after the proclamation of peace.

Mr. REED. Who will take care of the railroads then?

Mr. FORDNEY. Let them go to hades or let the country take care of them. We do not want the Government forever to take care of them. We expect normal conditions once more to prevail, and when normal conditions have once more returned to the country, we will go on as we have in the past, and the Federal reserve banks and the local banks will take care of the industries of the country. There are now unusual conditions prevailing throughout the whole country, and this is intended to take care of those conditions under those circumstances.

Mr. SMITH of Michigan. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. SMITH of Michigan. For how long a term can this corporation loan to an institution engaged in war industries?

Mr. FORDNEY. Five years is the limit. I did not quite fully answer the other question. Under the provisions of this bill the activities and powers of the corporation must cease six months after the proclamation of peace, and the business of the corporation must be closed within 10 years.

Mr. SMITH of Michigan. Do I understand they could loan to a manufacturing institution for five years?

Mr. FORDNEY. Yes; the longest loan that can be taken is five years.

Mr. SMITH of Michigan. On commercial paper?

Mr. FORDNEY. On any kind of security back of any note offered to the corporation. Five years is the limit that they can make the loans for, either directly or through the local banks, because we expect this war will end some time, and we are all praying that it will end in a short time; but we are trying to take care of the industrial world while this war is going on and aid every institution that is aiding the Government to support our boys in the trenches over across the sea. That is the meat of this thing.

Mr. McCORMICK. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. McCORMICK. I would like to suggest to the gentleman that perhaps he is conveying to the committee an impression of undue optimism. He stated that we would return to normal conditions before long after the war. I thought perhaps he meant he hoped we would.

Mr. FORDNEY. Oh, yes; I hope and I expect. The people of this country are intelligent, and if they make a mistake they will soon correct it.

Mr. JUUL. The gentleman stated that the power to loan would cease in five years?

Mr. FORDNEY. In six months after the proclamation of peace.

Mr. JUUL. If there is power in this bill to grant loans there must be power to renew loans where there is inability to pay, must there not?

Mr. FORDNEY. Yes; but they are not supposed to be renewed after six months after a proclamation of peace. The powers of the corporation must cease then, except the winding up of its business.

Mr. JUUL. What happens when there is inability to pay?

Mr. FORDNEY. I will tell you what came mighty near happening to me in the panic of 1896. If I had had anything, I would have "busted," and that would be their fix if they are unable to go elsewhere and get money except through this corporation, because this corporation's business must end six months after the war is over; they are likely to be embarrassed.

It was thought best to control the new institution, and say to a city, for instance, that wanted to build a city hall that cost half a million dollars, "You can wait just as well until this war is over when we will not need that money for other purposes. And we will not issue a license to any bank in the country to finance that project until the war is over."

Mr. HICKS. If this committee does not have the power to prevent that corporation from issuing that new issue of stocks and bonds, what value is it to have the provision put in the bill?

Mr. FORDNEY. I will tell you the benefit that I think there is in it. I thought at first that that original provision in there was too drastic, and that it might be used for political purposes where it was possible to do so. If the corporation, or if this corporation, does not recommend the issuance of stocks or bonds to be sold to finance a corporation for more than \$100,000, the banks that must look to this finance corporation for loans are going to be very slow to make those loans unless they know this corporation is going to indorse such loans, and consequently it will have practically the same effect as the old provision that was in the law, in my opinion. I do not believe that a bank that must look to this finance corporation for rediscounts would finance a corporation that this committee would disapprove of for fear the finance corporation would decline to give aid to your bank any further.

Mr. McFADDEN. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. McFADDEN. Will the gentleman explain how the finance corporation is to get its funds, and from what source?

Mr. FORDNEY. Yes. The gentleman from North Carolina took two hours a while ago to tell you that, and I thought he told you plainly. I will be very brief. In the first place, the Government is to take \$500,000,000 of stock of this company and put up the cash extracted from people in taxes. Beyond that they are going to issue bonds of the corporation, back of which they claim they have got collateral security from direct loans or from local banks of the country, and in addition to what is back of those bonds is this \$500,000,000 in cash put in the Treasury by the Government. They expect to sell bonds

and get money in addition to the \$500,000,000 subscribed by the Government. Has that answered your question?

Mr. McFADDEN. Whom are they going to sell the bonds to? Mr. FORDNEY. To you and to anybody else who has money and courage enough to buy them.

Mr. McFADDEN. They are made eligible for rediscount?

Mr. FORDNEY. Let me say to you that I differ with my good friend from North Carolina, Mr. KITCHIN, in this respect. I believe the Government should be back of these bonds as well as the corporation. Whether they are or whether they are not, if you and I live long enough, and if this corporation meets with reverses and losses to amount to more than \$500,000,000 subscribed by the Government in stock, Uncle Sam through some future Congress will come forward and say to the man that loaned his money, "You loaned that money to this corporation in time of great need and that corporation loaned it to some institution furnishing supplies to support my boys on the battle field, and Uncle Sam will pay you 100 cents on the dollar." [Applause.]

Mr. McFADDEN. Does the gentleman think that these bonds will sell in competition with liberty bonds?

Mr. FORDNEY. There is a provision in the bill which provides that these bonds must not be sold at less than par, but what they will sell for I do not know. But that is what the law says.

Mr. GRAHAM of Illinois. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. GRAHAM of Illinois. The inquiry in my mind is this: Suppose we issue these bonds and find they will not sell, then we will have to take some similar action like that which we took in the matter of the Federal farm-loan bonds?

Mr. FORDNEY. Well, I never had any faith in that farm-loan scheme. I think that was a fake. But if it is found that this corporation's bonds will not sell at par, mark what I tell you, the administration will be right back and ask Congress for some relief, and we will give it as best we can. That is what will happen, my good friend.

Mr. STERLING of Illinois. Does the gentleman not think that the interest rate will make them sell at par if the interest rate is high enough?

Mr. FORDNEY. I think so.

Now, let me say to you, my good friends, this: I will not mention the firm, but the Secretary of the Treasury made the statement before our committee that one great corporation in this country that is doing very much toward aiding in the production of supplies by furnishing power to great institutions is at the present time in financial trouble; and it is expected that this corporation is going to lend aid to that company, that recently was compelled to pay 13 per cent interest on a loan they obtained in New York. And when it is understood that company can come to this corporation and get money at a reasonable rate of interest the local bank is going to loan that money at a reasonable rate of interest or give up the loan.

It is going to be a good thing in that way. As to whether or not this is inflation, let me say, that here is the dangerous part of it, but we need not be afraid of that. Uncle Sam never got in such deep water but that he was able to wade ashore high and dry and pay his debts. We were practically out of debt before this war began. We pay our debts. We are the wealthiest people in the world, with \$260,000,000,000 of wealth in the United States; and with thirty or forty billions of indebtedness nobody need fear that Uncle Sam will not pay his debts.

Mr. JOHNSON of Washington. Granting that, I would like to ask the gentleman if he has given any consideration to the thought of the possibility of the fact that if the Government is not out-and-out behind these bonds it will inevitably lead by the Government to the ownership of the railroads?

Mr. FORDNEY. As long as God gives me intelligence and my health and strength and my constituents permit me to remain here I will vote against Government ownership of railroads, because that would bring financial disaster to our Government.

Mr. JOHNSON of Washington. But in spite of the gentleman's vote, the bond situation, with the Government apparently not being behind them, will result in the ownership of the railroads.

Mr. FORDNEY. I do not think it will, but if it does, if this Government through any legislation that we are passing now to help out this war, becomes the possessor of a railroad in this country, oh, how quick Uncle Sam will let go as soon as the people open their eyes and find out what an expensive proposition the Government has on hand.

No country in the world has tried Government ownership and control and operation of railroads that did not make a failure of it; not a country in the world. Right over here in Canada,

across the border, the railroads in private ownership spent \$73 in operating costs for each \$100 of receipts or income, while the Government-owned roads, traversing some of the best and richest territory in Canada, spent \$102.13 to get back \$100. That is the difference between a Government-managed institution and one managed by an individual or a corporation.

As a little illustration here, we had a little flurry of snow this winter, 3 or 4 or 5 or 6 inches of snowfall, and a man came and asked me to aid him, if possible, in getting some coal hauled to his home, because he said the coal companies of the city claimed they had no means of transporting the coal to his home. They had the coal, but no means of transporting it. I saw 24 teams lined up about this Capitol hauling snow down to the Potomac River, trying to raise the height of the water. [Laughter.] They could have had no other purpose. Why in the world did not they shovel the snow to one side, as we do in Michigan, where we have 3 or 4 feet of snow? No; more than a score of teams hauling snow from the Capitol, with no transportation available to haul coal to individuals needing it. That is an illustration of Government management. [Applause.]

I will give another illustration. Since the Government took over the management of the railroads a man came to me the other day and said, "I was down by Collingdale, 26 miles outside of Philadelphia, and there I saw 147 carloads of coal that had lain there 42 days without unloading or moving. But that is Government ownership. Great Scott!"

A carload of goods arrived in this city on the 2d day of March that had been shipped from the city of Detroit, 700 miles away, on the 28th of December. It took 63 days to get that carload of goods from Detroit to the city of Washington under Government management. No wonder that we have a shortage of cars.

Mr. SABATH. Mr. Chairman, will the gentleman yield? That was before Government management.

Mr. FORDNEY. No, sir; we now have Government control, since December 28 last. The very day the Government took over the railroads that carload of goods was shipped from the city of Detroit, 700 miles away, and it took 63 days to get that carload of goods to Washington.

Mr. SABATH. I suppose the gentleman thinks that the Secretary of the Treasury or the Director ought to have been on that train and ordered the goods shipped down here.

Mr. FORDNEY. Let me call your attention to the situation to-day. There are some things about this bill that I do not like, but I am going to support it because it is going to give relief to the financial institutions of the country. It is absolutely necessary, gentlemen, to pass it in order to avoid a money panic. All the outstanding money in the country is redeemable in gold under existing law. Silver is redeemable in gold.

Mr. DILLON. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Later I will yield. Silver certificates are redeemable in silver and gold certificates are redeemable in gold. There are gold certificates outstanding at present to the extent of \$1,235,000,000. Six months ago we had over \$1,800,000,000 of gold certificates outstanding. Back of every gold certificate outstanding to-day there is 100 cents of gold coin or gold bullion in the United States Treasury to redeem it when it comes back. Those gold certificates are now being called in and Federal reserve bank notes are issued in their place, back of which there is but 40 cents of gold coin or gold bullion. In other words, we are issuing \$2.50 of Federal reserve notes against \$1 of gold. This is inflation.

In addition there are \$1,875,000 of United States notes, \$346,381,000 Treasury; and Federal reserve notes, of \$1,505,000; of Federal reserve bank notes, \$11,898,000; and \$719,000,000 of national bank notes; or a total paper money outstanding and silver combined of \$4,358,000,000, with \$2,400,000,000 of gold to redeem it with. This is inflation.

We are going to keep on issuing more Federal reserve bank notes until all the gold certificates of the country have been called in and destroyed and Federal reserve bank notes issued in their place—that is, \$2.50 for \$1, or about \$5,000,000,000 of Federal reserve notes outstanding as against a little less than \$2,000,000,000 of gold certificates heretofore. But we have to have the money, and I have no criticism to offer. I only call your attention to the importance of these things.

We are going far afield in legislation, gentlemen. I have voted for everything that the administration has asked for, in the way of power or appropriations or bond issues, to help carry on this war. I am going to vote for everything, in my judgment, that the administration needs. I have entirely forgotten politics in this House while this war lasts.

But the administration is asking at the present time for more power than it ought to ask for, and one that I am unalterably opposed to and am going to express myself right here, and I want you to think about it: There was introduced in the Senate

the so-called Chamberlain bill, which, if enacted into law as it was introduced, would give the President of the United States the power to take over all the sawmills, all the lumber camps, the entire production of lumber, and all the timber of the United States, and to direct management.

Now, anything under the blue sky could be directed under the language of that bill by the President of the United States. Gentlemen, that bill was introduced upon the theory that the sawmills of the South are declining and have refused to furnish to this Government timber with which to build ships. That is a mistake. The man that conceived that idea was uninformed. I know better. I have examined timber in nearly every State in the South, and I am a manufacturer of lumber in the State of Mississippi, where as fine long-leaf timber and as large grows as grows anywhere under God's sun.

The Government has asked for large sticks of timber, say, 24 by 24 inches square, and from 30 feet long up to any length that can be obtained, chiefly 40-foot lengths. I want to tell you, my friends, that to saw a stick of timber 24 by 24 inches square and 40 feet long in a sawmill means that you must have a stick of timber absolutely straight, absolutely round, and absolutely perfect, about 38 inches in diameter at the top end. I venture to say there is scarcely a tree of long-leaf pine standing in any Southern State that will make a stick of timber 24 by 24 inches square and 40 feet long with a proud edge or an absolutely square edge. I say it takes a stick 38 inches at the top end to make a stick of that kind, and the shipbuilding corporations were so notified when they went out onto the market last year and asked for that size of timber from the mills of the South to build ships. They were told, "Go to the Pacific coast, where you can get your large dimensions, and the mills of the South will furnish you to their fullest capacity and limit all the timber that can be made out of the standing timber in the South." They declined to do that and said they could not mix Douglas fir from the Pacific coast with long-leaf timber from the South.

Finally they have discovered that they can mix them and that they will properly mix, because the tensile strength of a stick of timber cut from Douglas fir and of a stick of timber cut from long-leaf pine of the South is practically the same. I saw a test made at the World's Fair at Chicago, and the pressure before the timber gave way was 282 points on Douglas fir as against 285 points for long-leaf pine—practically the same. At last the corporation obtaining timber for shipbuilding in the South have found they can not secure these large timbers from the South, and have gone to the Pacific coast, as lumbermen advised them to do last May. But they come back now and say they are obliged to go to the Pacific coast, because the lumbermen of the South are disloyal and will not cut timber for them for shipbuilding. That is not true. Any man who makes that statement is not well posted. [Applause.] I am opposed to that bill. There are 48,000 sawmills in the United States, employing, in round numbers, 900,000 men. Those 48,000 sawmills have 48,000 skilled, experienced superintendents running them. No man in the White House or any other house in the city of Washington can sit in a cushioned chair behind a mahogany desk and direct the management of 48,000 sawmills scattered all over this country as efficiently as can 48,000 superintendents right on the ground and knowing their business. [Applause.]

Mr. JOHNSON of Washington. Is there any real difference between apparently running them from headquarters in Washington and sending men into the lumber districts who fix a 10-hour day on an 8-hour basis and regulate the entire pay roll, commencing with \$100 a month for second cooks, thereby establishing that scale?

Mr. FORDNEY. Let me say to the gentleman that about three months ago, when there was a strike in the sawmills and lumber camps of the Pacific coast in Oregon and in Washington, a man came there from California and called the lumbermen together and advised them what to do. The mills were closed down for three months. The I. W. W. would not let them run. They were destroying property, burning timber, blowing up dams, burning the landings where logs were landed, smashing machinery in the woods, doing every vicious thing that a wicked mind could think of—

Mr. JOHNSON of Washington. Putting emery into the oil.

Mr. FORDNEY. Yes; and putting camphor into the gasoline that ran the little motor engines to supply water to the donkey engines in the woods. Camphor spoils the gasoline. Gasoline with camphor in it will not run an engine. They put emery dust in the cylinders and in the grease boxes to destroy the machinery. They took sledges in the night and smashed the gearing, the drive wheels, which threw the machines out of commission for three or four weeks. While this was going on, that man came up there from California and claimed to be a representative of the

Government sent there by the President. He advised that the lumbermen accept all the conditions demanded by the I. W. W., saying that if they did so everything would run smoothly. I was not present, but I know some gentlemen who were.

One gentleman from California, a lumberman, operating there and in the State of Oregon, said to him, "You were a professor in a certain college down in southern California at one time, were you not?" "Yes." "You were kicked out because you were teaching socialistic ideas. Let me say to you, go back to California and tell your people that we have enough socialism and anarchy here without you, and tell Woodrow Wilson that we are going to run our institutions without advice from any anarchists from southern California." [Applause.] That is the kind of aid that the administration at that time gave to the institutions that were struggling with rampant anarchy on the Pacific coast in every industry. This bill that I am talking about is now before the Senate. I appeared before the Senate committee the other day and opposed that bill, and I believe it is going to be amended so that the President may commandeer timber, may commandeer lumber all he wants, but he will have to keep his hands off the throttle in the management of these mills. I believe that bill will pass the Senate in some such modified form, and when it comes here I want you to give it very careful consideration.

Gentlemen, I am going to close. I have talked much longer than I intended to. I am in favor of this pending bill, because I know that this \$500,000,000, and this \$2,000,000,000-bond authorization, will put enough more money in circulation in this country to aid the institutions that must have financial aid or else stop their operations or go into the hands of receivers. We have thrown safeguards around this bill in every particular. It would take me too long to explain all those things, but I am willing to answer any questions I am able to answer, asked by any man, whether opposed to the bill or in favor of the bill. I am going to support the bill. I want the men who are appointed to handle this money and place these loans to be men of the highest character, and I believe they will do their duty and make these loans where they are most needed, and that they will safeguard the interests of Uncle Sam and not loan money where it should not be loaned. It is not to be expected that they can loan it all perfectly and get it all back. That is beyond human ability in my opinion, because there is not a bank in this country, no matter how carefully and well managed, with the best talent there is in the land, which does not make some loans that fail. If this corporation makes loans on which they may never get back 100 cents for 100 cents I will not criticize them if they are as judicial in their loans as the average great banks of the country. Gentlemen, I thank you. [Applause.]

I yield to the gentleman from Ohio [Mr. LONGWORTH] one hour.

Mr. LONGWORTH. Mr. Chairman and gentlemen of the House, you listened this morning to a very able, exhaustive, and clear explanation of the details of this bill from the chairman of the committee, the gentleman from North Carolina [Mr. KIRCHIN]. I shall not attempt to take up those details. All that I could say would be a mere repetition of what he said. Neither shall I discuss the question as to whether or not the particular object of this bill is to benefit the railroads of the country, as alleged by the gentleman from Michigan [Mr. FORDNEY]. While I believe that something of that sort is intended, and while something of that sort should be done, it occurs to me that inasmuch as we have limited the amount that can be directly loaned to any railroad or other corporation to one-sixth of the entire amount of the capital and bonds to be issued that loaning to railroads is more or less a negligible part of this bill.

Mr. MADDEN. If the gentleman will yield, is it not limited to 10 per cent of the capital?

Mr. LONGWORTH. To 16 per cent of the capital and the amount of bonds authorized to be issued on that capital.

What I desire at the outset to discuss in some detail is the original bill submitted to us and the effect that the passage of that bill might have had upon the country.

The fashion has been growing of late, particularly when bills of major importance are before us, that the sponsors of these bills on the floor of this House rest their main grounds for defense of their provisions upon the proposition that they were drafted in some executive department. Members of committees reporting these bills advocate and recommend them not because they reflect their views but because they reflect the views of some one else. Since I have been a Member of this House I have never seen such a flagrant illustration of this sort of legislation as in the case of the railroad bill passed last week. Time and time again the chairman of the Committee on Interstate Commerce and other members resisted amendments to certain sec-

tions of the bill on the sole ground that they were drafted elsewhere than in the committee room—in the office of the Director of Railroads, perhaps, or in the office of the Interstate Commerce Commission, or in the offices of certain railroad attorneys who were presumed to know exactly what the railroads wanted—and hence we were described as meddlers when we sought to disturb the work of any of these gentlemen by so much as the dotting of an "i" or the crossing of a "t."

Things have come to a pretty pass, gentlemen, if legislation in this House, in this Congress, is to be simply a matter of Executive order, if committees of this House are to be mere legislative machines for registering the will of the Executive. For one, I believe the time has come to definitely impress upon the Executive and upon the country that we propose to do some thinking for ourselves. [Applause.] That we propose to scrutinize rigidly the legislative proposals sent to us from the other end of the Avenue, and to enact them with such additions, subtractions, and alterations as seem best to us, acting in the capacity imposed upon us by the Constitution of the United States. [Applause.] In short, that we propose to conduct ourselves as legislative representatives of the American people and not merely as amanuenses of those holding executive office. [Applause.]

The Committee on Ways and Means, in recommending this bill, do so not upon the plea that some one else made it for us, but because we made it for you. [Applause.] It is true, of course, that we present this bill in response to the request from the Treasury Department for the creation of the financial machinery thought necessary, and as we have concluded, after full discussion and hearing absolutely essential to the proper financing of the war. But we have built the legislative framework of that machinery ourselves, we have hung a respectably sized monkey wrench on the safety valve and we have changed engineers. [Laughter.]

Probably few of you realize—the gentleman from North Carolina indicated it to you this morning—but probably few of you realize, who did not study it closely, the absolute revolutionary character of this bill as originally presented to us. It gave to William G. McAdoo, Secretary of the Treasury, Director of the Railways of the United States, chairman of the Federal Reserve Board, and holder of several other vastly important offices, in addition to the powers he already possesses, the power to advance or withhold from the banking institutions and the industrial corporations of this country credits to the extent of \$4,500,000,000.

I say that these powers were entrusted to William G. McAdoo, for while I concede there was to be associated with him a board of four other gentlemen, yet inasmuch as he had the power to appoint them, to dismiss them at will, with the veto absolutely over anything they might do, they would have been about as pitiful a collection of dummies as it is possible to conceive. Furthermore, the bill gave to him a power perhaps even more vast and far-reaching, that of licensing or refusing to license the issue of securities in any amount over \$100,000 by any person, firm, or corporation in the United States. Even that was not all. As if the powers specifically granted in the act were not enough to make him the undisputed master of American industry and finance, tucked away rather inconspicuously in the body of the bill there appeared this provision, entirely unexampled in the legislative history of this country, and I commend it to the attention of the constitutional lawyers of the House:

Provided, That the powers specifically enumerated herein shall be deemed in addition to and not in limitation of any implied powers granted in this act.

Where would have been the limit to the powers that Mr. McAdoo could have exercised under such a provision as that? Do you realize what it would mean to concentrate such powers in the hands of one man? Take the first of them only, that of the extension or the refusal to extend credit to the amount of \$4,500,000,000. It is difficult for gentlemen, even those who have been dealing in these vast amounts in the last few months, to realize what a credit \$4,500,000,000 means. Let me give you a very few illustrations of the vastness of this sum. Possibly you are familiar with some of them. It would be equivalent to an expenditure at the rate of nearly \$4.50 a minute for every minute that has elapsed up to to-day since the birth of Christ. It would be four and one-half times as much as it ever cost this Government to live in any year hitherto. It would be about equivalent—and I shall ask my colleague from Nebraska [Mr. SLOAN] to correct me if I am wrong, because I heard him cite these figures—to the combined national and State debt, together with the debts of every county, city, village, and township in the United States before the war. That is substantially correct, is it not?

Mr. SLOAN. Add together the national debt and all State, county, and municipal debts.

Mr. LONGWORTH. It would have financed three times over the Boer War in Africa. It would have financed three times over the total cost of the Crimean War. It would have financed twice over the total cost of the Russo-Japanese War. It would have come within 30 per cent of financing the entire cost of all the Napoleonic wars, which lasted more than 22 years. It would have come within 40 per cent of financing the entire cost of the Civil War. And it was proposed to grant to one man, at his own request, the power to manipulate this huge sum as he pleased. In addition to this, it was proposed to give him the power to grant or withhold from any firm or corporation the right to borrow money to the extent of more than \$100,000. Pause, gentlemen, and reflect for a moment upon what that would mean. You will all remember the investigation authorized by this Congress some years ago of the so-called Money Trust, during which the fact was developed, or it was alleged to have been developed, through cross-examinations of Mr. J. Pierpont Morgan, of Mr. Baker, president of the First National Bank of New York, and some other master financiers, that there existed a coterie of men in this country, consisting of themselves and 9 or 10 other individuals and institutions, without whose consent it would be difficult, if not practically impossible, for any corporation in the United States to issue securities to the extent of \$10,000,000. Gentlemen on this floor orated themselves black in the face about the danger of the concentration of such powers within the hands of a small number of individuals. What will you say to concentrating a power vastly greater in the hands of one ambitious man? These two powers—that of controlling credit and that of controlling the issue of securities—would have made of Mr. McAdoo the arbiter of the business and the finance of America. No war lord in history, no Czar or Kaiser, ever had such power as this. He would have been in position to make or break men, to make or break corporations. He could build up or destroy communities. His smile could have made a State blossom as a rose; his frown could have made of it an industrial wilderness.

The mere transmittal to Congress of such a bill is illustrative of the danger every day growing in menace to the institutions bequeathed us by our fathers. I mean the continuous reaching out by the Executive for more and more power. It is a danger not lightly to be passed over. It demands the prayerful consideration of thoughtful legislators. On about the same day this bill made its appearance in this House, and you will all remember that my genial friend from North Carolina [Mr. KITCHEN] was not very enthusiastic about it at the time, a bill known as the Overman bill made its appearance in the Senate, also prepared at the other end of the Avenue, designed to turn over to the President the power to remodel our system of government in any way he saw fit. I do not think it is an exaggeration to say that if these two bills had passed in the form in which it was hoped and intended they should pass, the Congress of the United States might just as well have abdicated. Possibly we might, as a matter of form, have been called together once a year to vote appropriations of forty or fifty billion of dollars to the Executive, but beyond that we would not have had any excuse for existence. If it were contemplated to found a dynasty in this country, no more effective steps could have been taken to that end than by the passage of these two bills as originally drawn. No one contends that the Executive should not have extraordinary powers in time of war. No loyal man in Congress will refuse to grant to the President or to his subordinates, within or without the family circle, all the money necessary to the prosecution of the war to the limit, but thoughtful men must realize that second only to defeat is the danger that when this war is over it may be found difficult, if not impossible, to restore the Government to its ordinary status in time of peace, with all of its checks and balances in full force and effect necessary to the Government of a free people.

Congress owes it to itself, we owe it to the people who sent us here, to see to it that our grant to the Executive of money and power, while generous even to the point of bringing Executive domination during the war, must not be permitted to lead to Executive usurpation after the war. [Applause.]

The Committee on Ways and Means has been fully alive to the grave dangers of this bill, as I hope the committee which will have charge of the Overman bill will be alive to its dangers. We have consulted together, as the chairman said this morning, for days and days; we have considered this bill section by section, line by line, and word by word. We have hacked it and pruned it and remodeled it, until now all of us feel that while we have given to the Treasury Department and to the Secretary all the machinery necessary to the proper financing of the war, the features dangerous to the perpetuation of American institutions have been eliminated. [Applause.]

I will not undertake to discuss the present bill, except as to four or five cardinal points. In the first place, we have pro-

vided for two committees instead of one, and have divided their responsibilities. We have taken from the Secretary of the Treasury the power to appoint either of those committees. We have limited the amount that can be advanced. We have taken away the absolute power to license or refuse to license the selling of securities and, except in a case where it may be necessary for the development of a fixed line of policy, we have taken away the veto power from the Secretary of the Treasury. Now, all of this, gentlemen, has been accomplished without a word of politics, without a suggestion of partisanship, without a division based in any instance upon party lines. This complete absence of partisanship, and that has been characteristic of the deliberations of the Ways and Means Committee since a state of war was declared, is particularly noteworthy, because it is the first time in this country that the Ways and Means Committee has not divided on partisan lines.

Scarcely ever before has any measure of major importance come from that committee except where a partisan division has taken place. Indeed, most of the great finance and revenue bills have for years been framed by the majority without consultation even with the minority. Take the Payne bill, for instance. When we framed it not a Democrat was permitted anywhere near the committee room, and the Democratic Party returned the compliment in not permitting us access to the committee room when the Underwood bill was being framed. But in this emergency, from the beginning until now, and the chairman will bear me out, there has not been in subcommittee or in full committee one single division based on party lines. [Applause.] Republicans have voted not as Republicans; Democrats have voted not as Democrats; they have voted only as Americans. [Applause.] That same forgetfulness of partisanship has been characteristic of the actions and deliberations of this House upon all war measures.

Let me recall to you the eloquent valedictory of our honored Speaker on the closing day of the last session, when he said:

I think every Member of this House has contributed all that was in him to the support of the Government of the United States in this great emergency. So far as I have been able to observe, and I have observed very closely, partisan politics have been temporarily banished from this House. I think every man has given the utmost patriotism to the service here.

And over in the Senate the distinguished Senator from Mississippi, formerly the leader of his party in this House, and perhaps the leading spokesman to-day of the administration, said this:

Are we not all trying to do our very best? Is there a Senator on either side of the Chamber who is not behind the American people in this war, except a few fool pacifists that have now pretty nearly passed out of political existence?

But since the question of this fact has been raised on this floor and elsewhere, I intend to very briefly recapitulate the legislative action of the Republican Party upon all war measures passed at this and the last session of Congress. Summed up in a sentence, gentlemen, since the day war was declared, and even before that, when it had to do with any question of preparedness for the national defense, the Republican Party, whenever called upon in the interest of the efficient prosecution of the war, has stood behind the President of the United States with practical unanimity. [Applause.]

Furthermore, its support of the administration's war program has in every case been at least as effective, and in some cases it has furnished a larger proportion of supporters than the President's own party. There was one measure, for instance, which for far-reaching importance stands out above all others enacted in the last session of Congress, the measure asked for and urged by the President as absolutely essential to our effective participation in the war; I mean the selective-draft law. Had it not been for the fact that the Republican Party gave to the President in that crisis even more effective support than did his own party, that measure might never have been enacted into law, and our position to-day, in all probability, would have been little less than a national humiliation. The committee in charge of the bill could not muster the votes necessary among the majority to report it to the House, and when a leader was sought to pilot it through the President could find no member of his party willing to assume charge, and he was forced to apply to a member of the Republican Party, the Hon. JULIUS KAHN, of California [applause], to direct the passage of the bill through the House. How well he led it is illustrated by the fact that while at the outset, as you will remember, it was freely predicted that the selective-draft measure would fail, yet on its final passage it received 313 votes for and 109 against it. Of the affirmative votes, Republicans contributed 169 and Democrats 144. To the opposition Republicans furnished 42 votes and Democrats 67, so that the plurality of Republican votes for the selective-draft act was 127 and of Democrats but 77. In other words, 25 more Republicans than Demo-

crats voted to support the President and 25 more Democrats than Republicans joined the opposition to the President.

I have given these figures not in criticism of gentlemen, Democrats or Republicans, for voting against the selective draft, but in answer only to the charge or the suggestion that Republicans have not at all times supported the President of the United States in the efficient prosecution of the war. The fact is that in every measure recommended by this administration for the arming of the Nation and for the filling of its Treasury we have given to the President more effective support than has his own party, and that had he been compelled to rely upon his party only, if we had assumed an attitude of opposition, this Government would be to-day without the means and the men necessary to make our participation in the war anything more than a farce.

From the beginning we have scrupulously avoided seeking any partisan advantage. We have sought to keep politics out of any discussion, and we have succeeded in so far as we have been concerned, but not, unfortunately, in so far as some members of the opposite party have been concerned.

Were it not for the fact that our actions and motives have been called in question on the floors of both Houses of Congress and elsewhere I would not have alluded to the matter that I am going to speak of now, and I do so not with any intent to criticize the majority or of any Member of it, but only in justice to this side of the House. Since we entered the war, gentlemen, nine Members of this House have voluntarily left Congress. Of these, five were Democrats and four Republicans. The resignations of the five Democratic Members were avowedly for one purpose, and one purpose only, and that was for the betterment of their financial condition.

Mr. Adamson is now drawing a salary much larger than he received here, in a life position. Mr. Fitzgerald is, we are all delighted to hear, now enjoying a most lucrative law practice. Messrs. Bruckner, Griffin, and Hulbert are holding extremely profitable offices under the Tammany administration of the city of New York. For this assuredly I do not blame them. They thought it advisable and necessary to make adequate financial provision for the future, and from that point of view they are entirely right. There has not been in my time in Congress a man who has so well, by his distinguished services to his country, earned an assured financial independence that he could never have attained here as has our old friend Fitzgerald. [Applause.]

The reasons for the withdrawal of these gentlemen from Congress were highly laudable, but it can hardly be said that in their present sphere of action they are contributing in any great degree to the winning of the war.

Upon this side four men have left Congress. Theirs was a different purpose, but will you say that it was one less laudable? All four of them left to enter the military service of the United States. They were Gardner, LaGuardia, Heintz, and Johnson of South Dakota. [Applause.] LaGuardia is now abroad. Heintz is in camp at Montgomery, Ala., hoping soon to go to France. Johnson is a private soldier in a near-by encampment. Gardner has "gone west." A colonel, he was demoted to the rank of major at his own request, hoping thereby to get sooner to the trenches. He died a victim to his ambition to render fighting service to this country. [Applause.]

The experience of those who are left has, from a financial standpoint, been obviously unfortunate. Take the situation of my colleague, Capt. Heintz, for instance, and I speak with knowledge of the situation. None too abundantly gifted with the world's goods, his law practice has gone to pieces. He draws no salary either from the legislative or military branch of the Government. Although his name is carried on the roll of this House, although he would have the right to vote if he were here to-day, although his office is maintained in the House Office Building, and the routine business of his district is being transacted, he is not permitted to draw one cent of his salary for clerk hire. Comparisons are always odious, but on the facts as I have stated them, and as you know them, do you not think that we are justified in resenting the accusation that Republicans in this House have at any time put politics above patriotism?

Mr. POU. Nobody has made it.

Mr. LONGWORTH. On the contrary it has been made, and I am about to come to just that point. A Member of another body not long ago made a speech, filled with abuse of the Republican Party and of some of its leaders, and I had hoped that that sort of thing would have stopped there. But more recently unfortunately a Member of this House brought in politics for the first time since the war began, and since the time he did so he has been elevated to the position of leader of the campaign for the reelection of gentlemen upon that side of the aisle. About two

or three weeks ago the gentleman from Oklahoma [Mr. FERRIS] had published in the Record—and you all heard the debate about it—with his announced approval of its sentiments, an editorial written by one Martin H. Glynn, sometime governor of the State of New York, and more recently the chairman of the last Democratic national convention—permanent or temporary, I have forgotten which. Since that time I have seen this editorial published as a paid advertisement in a Washington newspaper, coming from what source I do not know. This editorial is compounded in about equal proportions of venom and falsehood, and it would not be worthy of notice, except for the statement that the criticism of some of the war policies of this administration made by various persons in the last few months is, and I quote, "A well-laid plan, nicely trained and strategically timed. Its purpose, no matter how secretive its sponsors, how insinuating its methods, how seductive its arguments, is to give the Republican Party a majority in the next House of Representatives and pave the way for a Republican President in 1920."

The gentleman from North Carolina [Mr. POU] must admit that that is a criticism of our patriotism here, as Members of this body.

Mr. POU. Mr. Chairman, when I inadvertently stated a while ago that nobody had made the charge I meant that so far as I recollected no gentleman on this side of the Chamber has impugned the patriotism of any other gentleman on that side, and I think I am safe in saying that is so. I was not speaking of any quotation from any outsider.

Mr. LONGWORTH. Ah, but that is not a quotation from an outsider; it was brought in by a responsible leader on that side, with the definite statement that he approved and indorsed it.

Mr. MADDEN. And reintroduced when his attention was called to it.

Mr. LONGWORTH. Reintroduced; and he had it read here in his time, taking 20 minutes to have it read, so as to more fully impress it upon the Members of the House and upon the galleries.

Mr. MOORE of Pennsylvania. And he admitted that it was partisan.

Mr. LONGWORTH. He admitted that it was partisan, and that he himself indorsed it, and since that time he has been made chairman of your campaign committee. I acquit every one whom I see before me of any such statement as that. I am only pointing out that we on this side have the right to resent the introduction here by a leading man on that side of that sort of stuff.

Now, in the first place, the crass silliness of such a proposition is evident from the fact that the most vigorous criticism of the war policy of this administration has come, not from Republicans at all, but from rock-ribbed militant Democrats like Senator CHAMBERLAIN and Senator HITCHCOCK, Henry Watterson and Desha Breckinridge, who demand the instant removal of Secretary Baker, all of whom have been more outspoken in their criticisms than any member of my party. Do you suppose that any of these men are animated by a desire to elect a Republican House of Representatives? Why, it would be easier for a camel to traverse the eye of a needle than for any Republican to get the vote of any one of them for any office. I make the positive assertion that any criticism of the war policy of this administration, so far as my party is concerned, any suggestion of weakness or inefficiency in the conduct of the war voiced by any one of us from the beginning until now, has been made with one object, and one object only, the speeding up of the war. [Applause.]

There is only one issue in America to-day, my friends. It is the winning of the war and the winning of it speedily. To it all selfish considerations, all questions of partisan advantage, must bow. You of the majority party have control of the fighting machinery and the purse strings of the Nation. How can we of the minority best help you to make the men, the arms, and the money count. That is the only thing that concerns us. Can we best help by blindly following your leaders in every case, or can we best help by backing you to the limit when you are going in the right direction, but offering advice, suggestion, and criticism when you are going in the wrong direction or in no direction at all? That is the only problem we have, and I think there is but one answer. I hold that it is not only the privilege but the patriotic duty of Republicans in this hour, while backing the administration vigorously when it is right, to criticize it fearlessly when it is wrong. [Applause.] May I not, gentlemen, on this point quote from an article written by one of the best known men in America, probably one of the two or three leading Democrats in this Nation outside of public office? Mr. Henry Watterson, "Marse Henry," the veteran editor of the Courier-Journal, wrote an article which appeared in the Washington Post the other day. I will only quote very

briefly from it. In speaking of what he called the "helmskelter, ragtime press," meaning those papers which act as he describes them as "special pleaders for presidential policies," he said:

Here is a typical expression of the newspapers which having no opinions would deny them to all others. I find it in the Tennessean, of Nashville, and it reads as follows:

"Moses led the children of Israel 40 years in the wilderness because the Israelites had faith in Moses. When that faith waned for a moment Moses lost control of the Israelites. When faith was restored the people followed their leader. When their faith waned, calamity befell them. When they believed their leader, God smiled upon them, and they were cared for in that their every wish was granted. So must the American people place their faith in the Moses who is leading them out of the wilderness. Believe that Woodrow Wilson is our leader and that he knows the road to the promised land. Follow him with the faith of a child. Do his bidding in all things, and ours will be the victory."

Of these sentiments Col. Watterson said:

This is something worse than hero worship. It is fetish worship. After it servility could go no further. Fatuous, blind folly could offer no counsel more unpatriotic and unworthy. The writer forgets the free institutions of his country and proposes in lieu of them a cartel to Mexicanize the Government and Diazify the President. Except that the words have many echoes and appear to be a part of a cult organized, engineered, and dominated from Washington, they would not be important.

I do not believe there is a man in either House of Congress who in his heart of hearts will not admit the justice of Col. Watterson's characterization of that kind of flap doodle. If this is one of the many instances that continually crop out of little men trying to curry favor with a great one, then it is a matter of no importance at all; but if it is part of an organized cult to engineer and disseminate news from Washington, then it is a mighty serious thing. If there is here in Washington a publicity organization the purpose of which is to disseminate half truths, to tell only one side of the story, to exaggerate our successes and depreciate our failures, so that the people may be lulled into a false sense of security, then we have a source of real danger to the Republic. This is no time for half truths, my fellow countrymen. This is no time for concealment of the facts. If there ever was a time for pitiless publicity it is now. [Applause.] Whether it helps or hurts parties or individuals or presidential ambitions, the closed season for the truth ought to be declared off. This is not the President's war. It is not the war of the Democratic Party or any other party. It is the war of the American people. [Applause.] We stand by the President not as an individual, not as a party leader, but because he, for the time being, represents the American people. Our loyalty is pledged not a person but to the country and the cause. True patriotism in times like these should be evidenced not in mere empty professions of loyalty but in making that loyalty count in the actual winning of the war. [Applause.] Can that be best done by an attitude of fawning servility to those in the seats of the mighty or by constructive criticism of our shortcomings and suggestions of improvement? That is the question, and there ought to be but one answer. If the President in his magnificent isolation from the common people, an isolation among rulers comparable only to that of the Mikados of ancient Japan, is to be immune from criticism of his acts and the acts of his subordinates, then we must fight this war as no other war in history was ever successfully fought.

Criticism more bitter by far than that ever directed by anyone at this administration has been leveled at the responsible heads of other nations since the beginning of the war. Read the debates in the House of Commons and in the Chamber of Deputies and you will see what has been said here in criticism of this administration in comparison with what is being said there of their Governments is mild as the cooling of a dove. In England the personnel of the cabinet and the heads of the army and the navy have been changed time after time. In France seven ministries have fallen, and yet every change has brought an increased efficiency and power to the arms of the allies. Let us thank God for that. Were England's navy of less overwhelming power; were the armies of England and France on the west front less strong and efficient than they have become as the direct result of the criticism of weakness and inefficiency, it is not pleasant to think of the predicament in which we would find ourselves to-day.

At home criticism has not been partisan. It has come from members of both parties alike. The demand for investigation of certain executive departments has not been partisan. Upon the whole the result has been most salutary. Many improvements have been made, some grudgingly it is true, but all contributory to our fighting efficiency and strength. It has brought about the abolition of a good deal of red tape; it has done something toward a better coordination of overlapping powers, and it has in several instances resulted in the removal of incompetents and a substitution of strong and efficient men. These

things have not come merely through the process of evolution. They are the direct result of criticism of weakness and inefficiency, and in their revelation through congressional investigation brought about, in most cases, by our insistence for light.

Will anybody say that we have been less patriotic than he who says, "I blind my eyes; I stop my ears; I have no opinions; I am abject; let Moses do it"? [Laughter.] In all that I have said, all that I shall say, I utter not a word of criticism of the general course of the Democratic Party in this House. I would be criticizing myself if I did, because your course on all war measures has been my course. I do not intend to offer any criticism to-day of the executive branch of the Government as administered by your party, but I insist that I not only have a right but that it is my duty as an American citizen to offer such criticism if it is intended or calculated to speed up the winning of the war. [Applause.]

I might most respectfully suggest, as my party has suggested, that much of the inefficiency and failure of the War Department to produce definite results is due to its various boards and committees, some with more and some with less authority, with conflicting power and jurisdiction and consequent chaos of administration, and that efficiency and order could best be had by the creation of a department of munitions and the coordination of all these overlapping functions under one head.

I have yet to hear a valid argument against it. Every argument for governmental inefficiency, conscious and unconscious, is in its favor. I doubt if you could sum up better in one sentence a more conclusive argument in favor of a munitions department than this. I quote:

I have a great respect for boards and commissions in peace times. I think they are very desirable. In war times I do not know of anything that is less desirable.

Those are not my words, gentlemen, they appear in the hearings on this bill before the Ways and Means Committee. They are the words of Mr. McAdoo, Secretary of the Treasury. They might just as well, they might better have been, the words of Mr. Secretary Baker. But it all depends, even in times like this, whose ox is gored. This administration declines to accept directly our suggestions with regard to the creation of a department of munitions or other reforms in the general conduct of the war. They counter with the suggestion that some of these changes will probably be made if only we will give the President authority to remodel all departments. They are not satisfied with anything less than the Overman bill.

I repeat that this incessant reaching out for legislative functions on the part of the Executive, this inordinate greed of autocratic power, is a menace to the very foundations of our system of Government. We on this side of the aisle do not believe in it, and I am mighty sure that the great majority on that side of the aisle do not believe in it either.

We have played the game square with you since this emergency began, and we mean to keep on playing it square, that this war may end in honor and justice to the United States. [Applause.] You may make it a little harder for us by calling us names and impugning our motives, but you can not prevent us from supporting you to the limit on every measure designed to win the war. We believe that there are men in our party who could help to win if you gave them positions on the regular team instead of keeping them on the side lines. We think you would do better if you played the game the way our allies play it, where the question is not, Whom did you vote for in the last election? but, Are you fit to render service to your country in this time of need? [Applause.] It is not the question of whether a man calls himself a Democrat or a Republican that ought to count to-day.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. LONGWORTH. Mr. Chairman, may I have three minutes more?

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield three minutes more to the gentleman.

Mr. LONGWORTH. It is not whether a man calls himself a Republican or a Democrat that ought to count, it is whether he is true blue American from his hide to the marrow of his bones. The true test of loyalty in these days lies not in mere empty protestations of devotion to the administration. It depends on whether with his body or his brains he is contributing something to the cause. Let us on both sides of this Chamber stand together on every measure which will help to win the war. Let us not play politics, let us not accuse each other of playing politics. It is a matter of mighty little importance whether the Democratic Party or the Republican Party shall control the next House of Representatives, except only in so far as that control

may help or hinder the speedy winning of the war. [Applause.] If the next House shall be Republican, it will not be because we have played politics. It will be because the American people believe that the Republican Party is of all parties the best fitted to legislate to bring about efficiency, speed, and power in the conduct of the war and in the solution of the tremendous problems that lie before us in the period of reconstruction.

Just one more word, and I am through. These are days when the wisdom and truth of the saying of a great American statesman are especially apparent: "He serves his party best who serves his country best." [Prolonged applause.]

Mr. RAINEY. Mr. Chairman, I yield to the gentleman from Tennessee [Mr. HULL] such time as he may desire.

Mr. HULL of Tennessee. Mr. Chairman, the speech of my distinguished friend from Ohio [Mr. LONGWORTH] is but another evidence of the entire absence of partisanship in this House during the present war(?). I say that, provided you accept certain statements made by the gentleman protesting any disposition to inject politics into the affairs of Congress at this time. My view has been that each individual and each political party during periods of war should be permitted to raise political questions whenever he or they may see fit. They lose rather than gain by it. The country will judge individuals and parties and appraise their services by what they do in support of the war rather than by what they say of a political character while the war is pending. For my part, I have no disposition—I am really unable to warm up to any kind of a political speech during this serious and critical stage through which our country is passing. I feel, therefore, somewhat of a sympathy for any gentleman who can either get up and undertake to inject politics into our affairs—that is, for politics' sake—or who can find enthusiasm with which to applaud such utterances. This is especially true, Mr. Chairman, while we have under consideration one of the most important bills, one of the most far-reaching war measures that has been before Congress during the present war.

I had hoped that my distinguished friend from Ohio [Mr. LONGWORTH] would give the House the benefit of some of the splendid financial wisdom and the large storehouse of economic information which I know he possesses, and I remained on the floor very intensely listening, expecting to have the benefit of that kind of an address. I know that not only myself but the House was disappointed when we failed to hear the views of the gentleman with respect to the many extremely important provisions in this bill.

Mr. Chairman, the problems with which this bill deals are closely related to and intimately associated with the great general problem of financing the war. The Government must provide in the soundest and most practical way for its daily cost. At the outset I desire to call attention to two important facts which relate to this bill. One is the general agreement among financiers and business men that the relief which this measure contemplates is both urgent and necessary. The other is that those who have withheld whole-hearted approval of the bill have failed to offer an adequate substitute remedy. The conditions which urgently call for financial relief by this or some similar special method are not common to this country alone. Similar emergency conditions have arisen and been dealt with under different plans in each of the important commercial countries at war.

It therefore becomes imperative, Mr. Chairman, that a new and additional method—an unusual kind of Government cooperation—should be devised to meet new and extraordinary conditions in this country resulting from the war. We should no more consider this method of rendering financial aid in time of peace, however, than we should refuse to consider it or some similar plan to meet unavoidable business necessities in time of war. There is no plainer proposition than that the financial resources of the country must be conserved and mobilized to the end that the entire financial power of the Nation shall be centralized behind the war. This embraces the conservation and mobilization of labor and all kinds of supplies, as well as money and credit. These are only secondary to the mobilization of the Army. Money is only the agency for securing these necessary supplies, both by paying labor to produce them and paying for them after they are produced. It is of interest to note that in all important countries at war both money and credit have been placed practically at the disposal of the Government. A similar course is imperative in this country in the interest of the prompt, vigorous, and comprehensive prosecution of the war. The effect of this preemption of money and credit by the Government will naturally be to deprive even that portion of our financial and industrial concerns whose continued and successful operation is likewise necessary for the conduct of the war, or is in the national interest, of a substan-

tial amount of financial aid which they must have. Who, then, can and should see that they get necessary relief?

Mr. Chairman, it is well known that in time of war the activities and demands of businesses which contribute to its prosecution are greatly increased. The practical doubling of prices of commodities correspondingly increases their financial requirements. During normal times we have always done an immense credit business in this country. Business, however, has been able thus far to supply its financial needs from the public and from existing banking channels.

The Federal reserve banks, the national banks, the State banks, private banks, and the trust companies, together with the public, have at all times been ready and able to furnish ample credit for all business needs. The supply of money and credit heretofore available for investment, however, has now been channeled to a measurable extent—and must be more so as the war continues—toward the United States Treasury, through the agency of either taxes or bonds. While the banks will naturally undertake to assist their regular customers as heretofore, and the Federal Reserve System will in turn endeavor to accommodate the banks in these undertakings, it is entirely apparent that increased business activities will require additional credit not now available, and furthermore it is evident that even this character and amount of regular banking aid will not be sufficiently available to certain businesses and classes of business, the continued operation of which is essential, directly or indirectly, to the successful prosecution of the war—indirectly, or in the national interest, in the case of savings banks, for example, and directly in the case of war industrial concerns. Under existing law many of these businesses are denied financial aid through our Federal Reserve System, because Federal reserve banks are not allowed to rediscount paper, the proceeds of which have been used, or are to be used, for permanent or fixed investments of any kind, nor can they rediscount paper having a maturity of more than 90 days in most instances.

Mr. Chairman, these business concerns, as a rule, possess the most satisfactory securities for collateral, but the prohibitions just stated oblige them to turn to the public or to the other banks, which latter are now unable to furnish the necessary aid and at the same time retain liquid assets sufficient for their own soundness and stability; hence they must themselves turn to the Government or to some agency created by the Government for relief. Railroads, including all public utilities, individuals needing credit on long-term paper to buy war bonds, war industries which manufacture or produce supplies immediately required for war purposes, banks which have already furnished aid to these classes of business and industry to such an extent that they either require aid in turn or aid to enable them to continue thus to render financial assistance in their respective localities, present a new situation of credit requirement which must be provided for by some additional and unusual method. The situation and attitude of the Government, as I have described, is such that the duty of providing this new and independent source of credit by the best means possible devolves upon it, just as it has fallen on other Governments.

Mr. Chairman, the Treasury worked out the method deemed most desirable and practicable and embodied it in a draft of a bill which was sent to the chairmen of the appropriate committees of the respective Houses of Congress and by them introduced. That bill is now pending in modified form. It has been properly subjected to close scrutiny, both in and out of Congress. Both its plan and its purpose have received more or less criticism, some constructive and some destructive. The chief objection offered has related to inflation and to the possibly injurious effects the operation of the proposed corporation might have on our Federal Reserve System. Some critics appear to underestimate the necessity for the creation of this or a similar temporary and supplemental method of war financing. It is purely supplemental to our existing methods and facilities for supplying money and credit. In reply to the criticisms and objections offered, we do have the satisfaction of knowing that the method proposed by this bill is sounder, better, and more practicable than any similar method adopted for a like purpose by any of the other important countries at war.

It is proposed temporarily to weld, as it were, this method on our present national machinery of finance, with the purpose that it shall cooperate and articulate with existing financial agencies. Let us look at the principal objections offered against it, which are inflation and possible injury to the satisfactory operation of the Federal Reserve System—the fear that Federal reserve banks may become overstocked and "locked up" with so-called "dead securities," and that their notes might fall into disfavor.

As to inflation, it may be said that inflation would also arise if the financial aid necessary should be rendered by our regular

banking agencies. This would be unavoidable in either event. As to fear of injury to the Federal Reserve System by allowing, under certain restrictions, rediscount and note-issue privileges to the bonds of the corporation, it may be said that this fear did not seriously arise when it was proposed to give similar privileges to our nearly \$6,000,000,000 of war bonds, nor has such fear seriously arisen since they have been floated. The Federal Reserve System has been so carefully administered that only about \$300,000,000 of this total issue has been allowed to come into the Federal reserve banks as collateral for advances for loans. The bonds of the corporation are not to be the direct basis of note issues. But, just as in the case of liberty-bond transactions, member banks could, under this bill, rediscount at Federal reserve banks their 15-day notes secured by short-term bond of the corporation, or the 90-day notes of their customers secured by such bonds. In other words, reserve banks can not buy them and issue notes against them as they would against bonds bearing the circulation privilege. Of course the reserve bank system will safely control the volume of discounts and note issues as they now do. They now have a 67 per cent gold cover for outstanding note issues.

Mr. Chairman, the successful flotation of the bonds of the corporation are virtually as necessary as the flotation of our war bonds, for the reason that the Government would otherwise be obliged to render financial aid, such as this bill proposes, out of the proceeds of war bonds. With the restrictions prescribed by this bill and others which the Federal Reserve Board is authorized to prescribe, I am unable to see any reason for fear that the Federal reserve organization, under its continued careful and safe administration, would suffer material injury from the operation of this corporation. This is especially true when we reflect that the general underlying theory of this bill is that no business or financial concern may invoke the aid of the corporation so long as it may be able to procure such aid from the public or regular banking sources on practicable terms. I am sure the affairs of the corporation will be administered in this spirit.

Mr. Chairman, it is true that the great desire of all banks during the war crisis is to keep their assets as liquid as possible. At each stockholders' meeting in England, France, and other countries the officials have pointed with pride to the manner in which they have during the year past maintained a sufficient level of assets that were liquid. All banks in this country feel the same way. They naturally desire to lend all financial aid possible through the handling of liquid assets, and such additional but limited aid as they may feel justified in offering upon long term and other paper which is good and solvent. The owners of large portions of the billions of long-term paper outstanding in this country are wholly unable, under existing conditions, to secure the necessary amount of credit on it either for the most urgent war business needs or for the purpose of investing in liberty bonds. The new method of finance proposed in this bill is intended, among other things, to give recognition to this class of paper to such an extent as may be deemed feasible and necessary.

The question of inflation of credits interposed against this bill is one of never-ending discussion and difference of opinion. Few people agree on the question as to when legitimate expansion ceases and injurious inflation begins. Still fewer people agree as to each of the causes and effects of inflation. Without stopping to enter into this ceaseless controversy, I may say that it is impossible for any country to finance a war such as the present one without more or less inflation. The evils of this necessary amount of inflation have in the past proven of less consequence and less insurmountable than the still greater evils that would otherwise have resulted. It has been made plain, if it was not already plain when we entered the war, that it could not be financed from taxation alone, which would have prevented inflation, nor from the added help of borrowing to the extent of the amount of savings and money available for investment, which also would have prevented inflation. It is claimed that legitimate borrowing would require the amount loaned to the Government to be matched by an equal amount of spending power relinquished by the people, and that to go beyond this means inflation. It therefore follows that inflation can be checked or prevented by savings on the part of the people and by restricting nonessential industries.

Mr. Chairman, the emasculation of the capital issues provision in this bill which would restrict nonessential industries is in this connection greatly to be deplored. I think it would be possible to finance the war on taxes and legitimate borrowing if the people could be induced to readjust their habits and industry speedily enough to conform to the great preparations for war which must immediately be made. Our annual savings should amount to \$12,000,000,000 or \$15,000,000,000. To the

extent that our economic conditions are not so adjusted to war requirements the inflation complained of will probably arise in some form.

Credit, not currency, inflation threatens us most. While our stock of money on March 1, 1918, was \$1,205,000,000 in excess of the stock on hand March 1, 1917, it must be noted that the increase of money in actual circulation was only \$508,000,000. Both the \$500,000,000 of gold turned in for Federal reserve notes and the notes themselves are embraced in the figures for 1918. This in a sense is duplication. It is said that to avoid inflation of currency, it can only be issued against gold or commodities; to issue it against nonproductive property, or commodities immediately destroyed or consumed would be inflation of currency. The needs of business and not the needs of the Treasury should always determine the amount of currency issued. While we point to the horrible condition of inflation in Europe as a situation entirely to be avoided at home, the fact should not be overlooked that they have banking credit inflation over there in connection with the purchase of Government bonds, while in this country the banks to-day only own a small percentage of Government long-term war paper, and the national banks only hold \$280,000,000 of bonds of foreign Governments. The expansion of bank credit in aid of Government loans rather than bona fide borrowing from individuals is to be avoided to the fullest possible extent. The final question of paramount importance in this connection is, through taxation and legitimate loans, to transfer the spending power of the people to the Government to the extent necessary to meet its war obligations. This policy is very different from that possible one recently described by a leading financier as "a pyramid of credit based upon Government bonds and consisting first of individual credit, second of member-bank credit, and finally of reserve-bank credit, all backed by the taxing power and the power to issue money."

Mr. Chairman, to avoid the condition just described, the Government should encourage and in a measure require, if necessary, the people to contribute directly the maximum amount of their savings in money and production while the war continues. Naturally the demands of business and of the war justify a certain amount of expansion. The credit-lending and note-issuing power of the Federal reserve banks is still more than two billions. This will not be nearly exhausted in any event. Under the doctrine that a dollar of credit extended to member banks may be multiplied by five in the lending power of the member banks we have almost unlimited potential banking credit capacity. The first object, however, should be to avoid exercising it to the extent of inflation. This, as stated, can be effected best by saving and increasing production. Production of war supplies can be increased by curtailing nonessential industries and savings effected by putting a curb on personal expenditures. Such course would set free an immense amount of labor, tonnage, coal, and other materials strictly required for war purposes. The most effective means of curbing individual expenditure is by taxation. Taxation either prevents it or provides revenue for the Treasury. A good purpose is served in either event. Our existing war-tax laws go a considerable distance in restraining individual expenditures, but in view of the financial exigencies of the Government they do not go far enough. The immense amount of unnecessary, not to say entirely useless, private expenditures being made throughout the country is open and notorious. The income and excess-profits tax laws, which accomplish most in this respect, should, during the present session, have their rates readjusted and in some respects tightened up and a tax on sales of luxuries or a stamp tax on the order of that in France and certain other countries should be directly imposed on private expenditures for luxuries and other nonnecessities. A stamp tax on the receipt of money paid for diamonds, pearls, furs, and many other articles of ornament and luxury would be most timely. A special tax on gifts during the war would likewise serve a most useful end in more ways than one. Nothing is more vital than that these powers of useless expenditure should be transferred to the Government to the fullest possible extent to aid in meeting its sore financial needs. To this end the people of Europe are practicing all kinds of self-denial.

Mr. Chairman, after all is said, inflation, whether of currency or credit, tends to higher prices. Mr. Bonar Law, chancellor of the British exchequer, speaking in the House of Commons on January 29, 1918, relative to high prices of commodities, said:

The inflation of prices is easy to explain. After the war broke out the supply of commodities was diminished. If there be any falling off in spending power—a reduction of wages—that supply would have been counteracted; but that could not happen. Wages were again raised to meet the increased prices, then prices rose once more and wages were again raised to meet the increased cost. The whole goes around indefinitely.

The bill would provide credits to meet real exigencies to the extent of \$2,500,000,000, comprising its capital of \$500,000,000 paid in by the Government, and bond issues of \$2,000,000,000. Should absolute war-emergency demands require a larger amount now or hereafter, its lending power should be increased to a larger amount. In view of the special and emergency credit demands which must be met preferably by a new and supplemental method of finance, and in view of the Government's obligation and necessities in this connection, and in view of the safety and the practicability of the plan which this bill proposes, it is my judgment that it should pass and pass speedily, and that the Government at the same time should adopt every available resource to speed up production in all essential war lines and to compel savings on the part of the people by such effective means as taxation and reasonable restriction of nonessential industrial activities. We are in the midst of what is possibly a lengthy war. Our financial structure is sound. Our financial position is far stronger than that of any other country. The ablest banker in England, Sir Edward Holden, recently said:

I wish to congratulate the Federal Reserve Board and the bankers of America on having succeeded in creating and building up a banking system which surpasses in strength and excellence any other banking system in the world.

[Applause.]

Mr. Chairman, it is a matter of great pride to note that the financial center of the world which was first at Tyre, then at Carthage, then at Rome, then at Venice, then at Amsterdam, then at London, is now in New York. We are the leading banking power of the world, with more than \$3,000,000,000 of gold. We have a balance of trade in our favor of more than \$3,000,000,000. Our large foreign loans are taken up by purchases from here. We do not have to borrow from abroad. Our purchases from abroad are not large. For three or four years following the war the balance of the world, largely famished and destitute, will be clamoring for each of our innumerable kinds of production. Why should our gold leave us within this period? We have become a great creditor Nation and will continue to be. Business conditions throughout the country are sound. While I would be as far as any person from urging a method of finance inherently unsound as a war measure, or one that would be calculated to injure or cripple our existing financial machinery, I do not overlook the fact that war in its very nature is more or less a test of the strength, the stability, and the staying power of the manhood, the industry, and the finances of the various nations engaged. Unusual exertion of man power, greater and more rapid production of industry, and increased credit facilities, are always required and always forthcoming. If this war is to be an unavoidable test of economic endurance, who is more ready to meet that test than the people of the United States? The financial institutions of European countries at war have successfully borne far heavier burdens than those of peace times or even those contemplated by the exigencies of war. I have confidence in the wise, careful, and sound administrative capacity of those at the head of our various banking institutions, and of those who will be at the head of the proposed corporation, and having that confidence in the proper administration of our banking affairs, I feel justified in the conclusion that the rediscount and note issuing privileges accorded to the bonds of this corporation in this bill would not be abused, but would, at the same time, both add great strength to the paper of this corporation and facilitate its successful operation to a large extent. No abler man has ever directed the affairs of the Treasury than Secretary McAdoo.

The operations of the Treasury and of this corporation should not so conflict as to handicap either. The paper of each, which contains like terms as to interest rates and maturity, should occupy a like position of advantage in the money market. The two should operate so as to reach most conveniently and with least conflict the various types of subscribers with cash available for loans, whether for short or long terms or intermediate periods.

Mr. Chairman, while we should prepare for and proceed upon the theory of a lengthy war, and while we do not in this country contemplate reaching the condition of financial stress under which other countries at war are to-day laboring, still it is a matter of special interest to glance at their financial methods adopted in large measure to meet conditions similar to those which this bill has in view. It will first be seen that the amount of money in the world has increased from \$12,500,000,000 in 1912 to \$32,500,000,000 at the close of 1917. We also find that the note circulation of the 11 European countries at war, over and above the specie reserve held against them, increased from \$1,125,000,000 in 1914 to \$13,640,000,000 in 1917. Russia, France, Germany, and Italy have been constantly increasing their uncovered paper circulation in the order named. The

increase in the gold stock of the world has not been above normal. This expansion of currency, of course, is in addition to the huge expansion of banking credits.

Russia's methods of war finance have been reduced virtually to a printing-press proposition. Prior to the war the Russian State Bank had the authority to issue \$230,000,000 of paper without gold cover. This limit has been enormously raised. Her entire paper money increased from \$815,000,000 at the outbreak of the war to about \$9,000,000,000 recently. For some time the Government has been issuing unlimited quantities of paper, fresh from the printing press, and passing it out direct to all creditors in payment of her obligations.

At the outbreak of the war the limit on note circulation of the Bank of France was fixed by law at \$2,400,000,000. At the time her outstanding note circulation was \$1,436,000,000, whereas it is this year \$4,725,000,000, or an increase of more than three and a quarter billions. The limit on its note circulation has been raised six times since 1914. The French Government, through its treasury and the banks, has rendered from time to time such emergency aid as this bill contemplates. The Bank of France at the close of 1917 had granted to the Government \$3,000,000,000, had aided by subscriptions to the various Government loans, and had also made advances to many different firms by giving credit on securities offered. The Government cooperates with the bank with respect to these latter transactions and, in a measure, aids it in taking care of any losses incurred. The expansion of banking credit in France has been largely in the form of bank notes, which in the main have been put in government loans. This is true of Germany. In Canada a munitions board, to the extent required, finances all concerns producing war supplies by money procured from the treasury or by discounting British treasury bills and getting legal-tender notes.

Germany adopted a special method of financing not very unlike that proposed by this bill, except the German method is virtually a wide-open one, with no restrictions either on rediscounting by the German National Bank or on the note issues against the paper so rediscounted. On January 7, 1918, the note circulation of Germany aggregated \$4,470,000,000, which was covered by \$600,000,000 of gold. Germany has not maintained a gold standard since the outbreak of the war. Germany's ratio of gold to note issues was 25.4 per cent in 1914; 29.7 per cent in 1915; 22.4 per cent in 1916; and 14.9 per cent in October, 1917. This ratio has been considerably lowered since that time. The paper currency of Germany of all kinds has been increased from \$500,000,000 at the beginning of the war to \$4,500,000,000. Because of the fact that some of Germany's methods of financing the war are considered a greater departure from sound finance than those of some other countries, it would perhaps be of interest briefly to outline her method, which corresponds in a way with the plan of the pending bill, but without the restrictions and safeguards of the latter. At the outset Germany decided to finance her war on paper money and bonds. Her plan was to raise all the paper money required through the National Bank of Germany, known as the Reichsbank, but in case this method should prove insufficient she would utilize the loan banks. The Reichsbank makes loans by discounting bills in the main. Its note issues are covered only by bills so discounted and the cash balance. The amount of notes issued must never exceed three times the cash balance. The law thus fixes a limitation on the issue of notes. There is no legal limitation on the creation of credit balances. The bank was also required to meet the remaining two-thirds of note issues with bills of exchange falling due within 90 days. The treasury bill was not considered a bill of exchange for this purpose prior to the war. Soon after the war commenced, however, owing to the very great curtailment of the usual supply of bills of exchange, and finding it necessary that the Government should secure largely increased supplies of notes from the Reichsbank, the law was enacted in August, 1914, which defined treasury bills as coming within the class of bills of exchange to the extent that they could or should be utilized to cover note issues in all cases where there was a maturity within three months. The result was that the Government could issue treasury bills as rapidly and in amounts as great as it found necessary or saw fit, and the Reichsbank issued a corresponding amount of notes on the basis of these bills as they were needed.

Trouble, however, was found in keeping up the requisite amount of the cash balance, because of the limitation it imposed on note issues. This cash balance not only comprised silver and gold but notes of other banks, including also what were called Imperial Treasury notes. In August, 1914, a law was enacted creating another system of note-issue banks, which were known as the Darlehnskassen or loan banks. They were empowered to make loans by issuing notes. This loan-bank system was a

revival of substantially the previous system of 1848 and the system of 1870 in operation during the Franco-Prussian war. The Reichsbank was authorized by law to include the notes of this latter class of loan banks in its cash balance, and also to treat them as gold, with the result that the Reichsbank could issue \$3 of its notes for every \$1 of Darlehnskassen notes held. It is represented that this loan-bank system which Germany has revived on the three occasions stated was to constitute an agency for making loans, which ought not to be made by the ordinary joint-stock or private banks in Germany. These loans were classified under the name of "dead loans." These Darlehnskassen banks make their loans to all kinds of business concerns, including municipalities, by the issue of Government notes to the extent of from 40 to 85 per cent of the value of the security offered. The purpose of the creation of these banks was to avoid the burdening of the Reichsbank and the joint-stock banks to an extent which would, to use the language of an English banker, "lock them up." The amount of notes issued by the Darlehnskassen banks was \$329,000,000 for the year ending in December, 1914; \$587,000,000 in December, 1915; \$852,000,000 in December, 1916; and \$1,922,000,000 for the year ending in December, 1917. For these same dates the Reichsbank used the following amounts to increase its cash balance: \$217,000,000 for the year ending in December, 1914; \$313,500,000 in December, 1915; \$105,000,000 in December, 1916; and \$326,000,000 for the year ending in December, 1917. These Darlehnskassen notes have been turned into the Reichsbank in payment of war loans to a very considerable extent for a time, but to a much smaller extent recently. Nearly 28 per cent of the first loan was thus paid. The States and municipalities have been heavy borrowers of these notes. Likewise individual concerns, including especially the manufacturers of munitions, savings banks, and many trading concerns, as borrowers have utilized these notes to a very great extent. With these Darlehnskassen notes included, the total issue of paper money of Germany in 1917 was \$4,920,000,000. According to the balance sheet of the Reichsbank on December 31, 1917, the bank was utilizing as a cover for its note issues Darlehnskassen notes to the extent of \$326,000,000 and treasury bills to the extent of \$3,649,000,000.

It is thus seen that treasury bills were chiefly relied on. The Reichsbank notes, after being created in the manner already described, are utilized by joint-stock banks when received as a basis for the extension of further credit. The situation is that the Government is responsible to the bank on its treasury bills and the bank is responsible to the public on its notes. Since August, 1914, the Reichsbank has by law been relieved of its previous obligations to repay its notes in gold. It may further be remarked that the Government discounts its treasury bills with the Reichsbank at the official rate, while the Reichsbank rediscounts the bills in the open market at the market rate, which is always lower than the official rate. It is noted that the German law prescribes a ratio of the cash balance to the notes issued and not to the liabilities, which would also include credit balances. These Darlehnskassen banks are controlled by the Reichsbank. The banks commenced business without capital, but with only note issues. According to the recent announcement of the president of the Reichsbank the German Government contemplates the continuance of these loan banks for a period of four or five years after the war for the purpose of giving persons time in which to repay money borrowed to purchase Government bonds and also to extend credit to other banks which are expected to be in need of help in meeting conditions that will arise after the war. He expresses the view that holders of war loan bonds will to a very great extent seek to part with their holdings in order to secure money to invest in raw materials, factories, and other business concerns at the conclusion of the war, and that this will throw a large portion of the war loan on the market without sufficient buyers, which would result in the depreciation both of the bonds and the securities in general. This plan, however, contemplates a combined plan of joint activities on the part of the Reichsbank and the joint-stock banks and the Darlehnskassen, the idea being that the Darlehnskassen and to some extent the Reichsbank will provide new capital for the absorption of war loans, and in turn the Reichsbank and branches acting in cooperation with the joint-stock banks and their branches will take up the securities whenever offered for sale and thus protect the security market. The securities so taken up would thus gradually be redistributed during a number of years to follow through the agencies of the Reichsbank and the joint-stock banks.

The foregoing would indicate that the German Government entertains the view that it will be impossible to effect a large withdrawal of any of their notes by these special war banks in a shorter time than four or five years. I am unable to secure any data as to the amount of paper issued by ordinary banks in

Germany. I have procured this information relative to these German loan banks chiefly from English financial publications and from a recent financial address of Sir Edward Holden.

Mr. Chairman, the second report of the select committee on national expenditures in England contains this statement:

The Government through the Bank of England and joint-stock banks created large new credits to enable its factories to expand their productions.

The English banking system only provides credit and not currency. When the war broke out in 1914 gold was rapidly withdrawn and additional currency became necessary. The result was that the original act of 1844 imposing legal restrictions on the issue of notes by the Bank of England had to be suspended so that the bank could exceed the legal limit of its note issue, which was accordingly done on a large scale. This was the fourth time in the history of this banking act that the law had to be suspended to meet financial emergencies.

Under the currency and bank notes act of August 6, 1914, the treasury was authorized to issue currency notes through the Bank of England to bankers to a maximum limit not exceeding 20 per cent of the bank's liabilities on deposit and current accounts. The amount of notes thus issued are treated as an advance by the treasury to the bank or banks, bearing interest from day to day at the current bank rate, the security for the treasury advance consisting of the floating charge on the assets of the bank up to the amount of the notes issued.

This same act authorized the Bank of England and any Scottish or Irish bank of issue, so far as temporarily authorized by the treasury and subject to any conditions attached to that authority, to issue notes in excess of any limit fixed by law. These notes, like currency notes, to be legal tender and redeemable in any kind of coin. The Scottish and Irish banks of issue used currency notes as cover for the bank's own notes. Their excess issues of their own notes could not exceed the cover afforded by the currency notes.

During the early stages of the war the English Government made special provision for advances in connection with stock-exchange loans. These advances were to be made through the Bank of England, not to banks but direct to other lenders to members of the stock exchange. These advances were to the extent of 60 per cent of the value of the securities held by such lenders.

The British treasury in November, 1914, organized a committee representing the treasury, the Bank of England, the joint-stock banks, and the Association of Chambers of Commerce, which authorized advances in approved cases to British traders carrying on an export business. When an application for advances was approved, this committee authorized the bankers of such trader to accept a six-months' bill drawn by the trader. This bill was renewable until 12 months after the close of the war or the expiration of the act. The trader could discount this bill anywhere. The Government provided that as to any loss in connection with these advances 75 per cent should be borne by the treasury and 25 per cent by the accepting bank. The cost to the trade was about 6½ per cent per annum.

The Government, in November, 1914, jointly agreed with the Liverpool Cotton Association and the Liverpool banks to guarantee advances made to merchants by those banks. Under this plan persons desiring advances made application to representatives of the cotton association and the banks of Liverpool. The chief purpose of this direct aid was to enable the Liverpool Cotton Exchange to reopen.

It will be seen that the English methods adopted for affording financial relief to different classes of business have been less satisfactory than the proposed method. Moreover, they have had such drastic experience as the moratorium. Sir Edward Holden recently stated that—

If the act (restricting the amount of note issues of the Bank of England) had been repealed, I believe that we might have got through the crisis without a moratorium.

England has made considerable expansion of banking notes, silver and copper circulation, in addition to more than \$1,000,000,000 of new paper currency notes, which latter are declared redeemable in coin, although the actual reserve for that purpose is only \$147,500,000 of gold. She had only \$140,000,000 of these latter notes outstanding in December, 1914. It is thus seen that while England continues nominally on a gold basis, she is not so in actual fact. It is important, however, to note that her financial structure continues stable and there is no lack of parity between gold and other kinds of circulating medium. A movement is now on foot to secure the repeal or modification of the Bank of England act of 1844 so that the bank will be allowed to exceed the limit of its note issue at any time on payment of a tax. The amendment embodies the principles that notes may be created and issued on the security of bills of exchange and on

the cash balance, so that a relation is established between the notes issued and the discount; the notes issued shall be controlled by a fixed ratio of gold to notes or of the cash balance to notes; this fixed ratio may be lowered on payment of a tax; and the notes should not exceed three times the gold or the cash balance. The fact that the Bank of England is divided by law into two parts—the issue department and the banking department—makes the statement of the bank for January 16, 1918, for example, show a percentage of gold alone to liabilities of 19.6 per cent, but in fact the bank's entire amount of available gold was 28.2 per cent of liabilities. The Bank of England has always been allowed to issue notes against a debt due from the Government for several centuries of the amount of \$55,000,000 and certain securities of \$37,000,000. All other notes must be issued against gold. With these three items forming the cash balance of the bank under its statement of January 16, 1918, the percentage to liabilities was in fact 33.5 per cent against 19.6 apparently shown by that statement.

The entire note issue of England during the war increased from \$225,000,000 to \$1,385,000,000. Much of the latter, however, was issued for gold withdrawn from circulation. During the early stages of the war the British Treasury assisted many financial institutions by issuing through the Bank of England currency notes to banks under certain conditions and restrictions. It will be seen that financial aid has been rendered businesses and classes of business at various times and in various ways, both by the British Treasury and by the banks in turn. Some time ago the leading banks made an arrangement whereby credit facilities were allowed the farmers to enable them to purchase the requirements necessary for greater food production. Some recent financial aid the British Treasury has rendered has embraced such direct advances as the bonus to potato growers, \$25,000,000; bonus to miners, \$100,000,000; bonus to munition workers, \$200,000,000; loaf subsidies to make the price 18 cents for 4-pound loaves, \$225,000,000; bonus to railway workers, \$50,000,000; bonus to civil servants, \$15,000,000.

In addition to her increased bank and treasury notes, England takes care of a floating debt of around \$6,000,000,000. Of late England has striven to avoid investment by banks in long-term war bonds. The banks are reported to have contributed \$500,000,000 of the first long-term $3\frac{1}{2}$ per cent loan, amounting to \$1,666,000,000; \$1,000,000,000 of the second $4\frac{1}{2}$ per cent long-term loan, amounting to \$2,915,000,000; and no substantial direct contribution to the third long-term loan of February, 1917, at 4 and 5 per cent. In the United States the banks, as stated, have very greatly reduced their holdings of long-term war securities.

Mr. Chairman, it will be seen from the brief references made to the methods of financing adopted by other countries during the war that the contrast in favor of those of the United States is as great as it is favorable. One of the chief purposes of the proposed corporation is to render such emergency financial aid as the Treasury would in most instances undertake to render for war purposes or in the national interest, but which it can not render in a manner nearly so convenient and expeditious as the corporation, which, after all, is but a Government agency with limited liabilities.

While savings banks are referred to as possibly needing immediate credit facilities from time to time during the war, the mere fact that such facilities are thus made available in case of need will probably obviate any necessity for advances to them. The experience of savings institutions elsewhere where the financial stress confronting them has been greater than that which will arise here confirms this view.

The English postal savings deposits at the beginning of the war were \$940,000,000, while on February 2, 1918, they were \$1,015,000,000. The only other kind of savings banks in England, known as trustee savings banks, have only suffered a loss of deposits to the amount of \$12,500,000. The English postal savings rates have been $2\frac{1}{2}$ per cent from the beginning, as compared with rival offerings for half a dozen different kinds of Government war paper, running as high as 6 per cent at times for exchequer bonds. Only about \$90,000,000 were withdrawn from this latter class of savings institutions during the \$5,000,000,000 loan campaign in February, 1917, while \$120,000,000 were withdrawn during the $4\frac{1}{2}$ per cent loan campaign in 1915. It is evident that any advances our savings institutions might require from the corporation would be very temporary and during some large loan campaign. Deposits in German savings banks during the first 11 months of 1917 were \$825,000,000 gross, as compared with \$575,000,000 for 1916 and \$580,000,000 for 1915. Germany has floated a long-term issue of bonds every six months during the war. In Italy the savings banks deposits increased from \$397,000,000 on July 1, 1916, to \$507,000,000 on October 21, 1917.

Mr. STAFFORD. Will the gentleman yield in that particular?

Mr. HULL of Tennessee. Yes.

Mr. STAFFORD. Can the gentleman give the committee the benefit of his research as to how that difficulty was met by the savings banks of the country when the last liberty loan was floated, caused by the withdrawal of savings funds on the part of depositors from savings banks?

Mr. HULL of Tennessee. I will say to the gentleman it has been difficult to get accurate figures as to the savings withdrawals in this country during the last liberty loan. It has been suggested by those in the savings-bank sections that substantial withdrawals occurred, but no exact figures have been obtainable. Now, in that connection, I call attention to the figures showing the rather satisfactory operation of the savings institutions in England, Germany, and two or three other countries during the war. In Germany, where there have been seven successive long-term loans, in England, where there have been three, in Canada, where there have been several, and in Italy, where there have been about five, the figures which I will not take time to read but will insert in the Record, show that there has been an annual uniform increase in savings deposits under these loan conditions.

Now, it is true that there have been temporary withdrawals, but they have been only temporary. The withdrawals from the postal savings system in England, which is the main portion of the savings institutions, only amounted to \$210,000,000 during both the largest loan campaigns, as I have stated, and the amount was soon replenished. So I feel assured that the mere fact that the savings institutions of the country have available credit for depositors will be practically sufficient to safeguard them against serious withdrawals; and, if the gentleman will pardon me, I say that in the light of the experience of the other countries.

The rate of interest in the English postal savings banks is $2\frac{1}{2}$ per cent. It has never been over that, and yet the Government has been paying interest all the way from $3\frac{1}{2}$ to 6 per cent on the various kinds of war paper it has put out.

Mr. STERLING. Let me ask the gentleman if the withdrawals from the savings banks in this country during the bond sale injured the savings banks at all?

Mr. HULL of Tennessee. I was unable to find any facts or data which indicated serious injury, or inconvenience, or possible injury to them during these past loans. But I agree with gentlemen from these savings-bank sections that the banks are entitled to the benefit of immediate credit facilities to meet any possible withdrawals to such surprising extent as might or could occur during these bond campaigns, or at any other time, as to that.

Mr. STAFFORD. Will the gentleman yield in that particular?

Mr. HULL of Tennessee. Yes.

Mr. STAFFORD. I have received definite information that in some sections of the country there were withdrawals of savings funds to the amount of hundreds of thousands of dollars, and my query directed to the gentleman from Tennessee was as to how the savings banks met the stringency occasioned by the withdrawal of those savings funds.

Mr. HULL of Tennessee. I do not think the stringency was great enough to necessitate any unusual preparation by the savings banks with a view of securing available funds to meet withdrawal demands. In other words, no such stringency has occurred as might occur under the next loan campaign or some successive loan campaign; and it is but natural that they should expect and that they should receive at the hands of the Government such available assistance as possible conditions might make necessary.

Mr. OLDFIELD. Will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. OLDFIELD. I would like to state, and I do not know whether I remember it correctly or not, that my recollection is that this very question was asked of the Secretary of the Treasury and he said the withdrawals had not heretofore been substantial, and, of course, expressed the hope that they would not be substantial under the next liberty loan. That is my recollection.

Mr. HULL of Tennessee. I agree that that is substantially what the Secretary said, and I think it will work out largely that way, in the light of European experience.

Mr. LONGWORTH. If the gentleman will pardon me, that danger would be particularly evident if the next large bond issue should be at a higher rate than 4 per cent.

Mr. HULL of Tennessee. The possibilities of danger would correspondingly increase.

Mr. PLATT. If the gentleman will permit, the savings banks statistics of the State of New York, which State, perhaps, has larger deposits than any other State, have been published in the

last week, I believe, and show that the withdrawals from the savings banks, while greater than the deposits during the past year, were offset by interest credits during the last year. If another liberty loan campaign is waged on a 4½ per cent basis some kind of relief will very likely be necessary.

Mr. HULL of Tennessee. That is a very interesting statement. I am glad the gentleman made it.

Mr. KITCHIN. In that connection I desire to say that while other banks, not mutual savings banks, have increased their individual deposits nearly 50 per cent in the last three years, the mutual savings banks have increased their deposits only about 12 per cent. In other words, the deposits in savings banks in the last 12 months especially has not kept pace with anything like the increase in the deposits in other banks, which shows that something is affecting the savings banks. Now, in June, 1914, the deposits in mutual savings banks—which constitute three-fourths, at least, of all the deposits in the savings banks—were \$3,915,626,000. In June, 1917, they had only increased since 1914 to \$4,422,489,000. In other words, they had only increased about \$500,000,000, and in the stock savings banks their deposits have increased since June 20, 1914, to June 20, 1917, less than \$100,000,000. In fact, they were about \$1,000,000,000 on June 20, 1917, so that something has materially affected the deposits of savings banks. While other banks seem to have been helped, the savings banks seem not to have been helped by any of this war prosperity, you might say.

Mr. PLATT. If the gentleman will permit, would not that tend to show that the wage earners and the smaller merchants, who constitute the bulk of the depositors in the mutual and in the stock-savings banks, have not had as much chance to save as they had before? The deposits in the national banks are made up of credits or loans, but in the savings banks they are largely cash.

Mr. KITCHIN. I will say that in the last 12 months they have had opportunity to make Government investments; that is, they could buy Government bonds and get 4 per cent interest. That is all. They could get, as a rule, less than that in the savings banks that pay the highest rate of interest. So instead of putting their money in the savings banks they have invested in Government securities.

Mr. PLATT. That is probably true of the last few months, but it would not have been true of the 3½ per cent loans.

Mr. KITCHIN. I can see how it would be true as to that, because most of the savings banks do not pay more than 3 per cent interest. What rate do they pay in the State of New York?

Mr. PLATT. The larger savings banks in New York City pay only 3½ per cent, but in the smaller cities they generally pay 4 per cent.

Mr. HULL of Tennessee. Mr. Chairman, it is very apparent that every country at war has had to grapple with problems similar to those to which this bill refers. It is also apparent that the methods by which they undertook to extend relief are not, in soundness and practical operation, nearly so meritorious as the methods proposed in this bill.

I now come to another branch of the bill relating to capital issues. With due deference to the committee—and I always have the profoundest respect for the views and judgment of the Committee on Ways and Means—it is my humble opinion that the capital issues provision as originally inserted in this bill should not have been weakened. It is most unfortunate that the House committee and the Senate have seen fit to emasculate the provision in the bill authorizing restrictions of capital issues. The necessity for this action is grounded upon the whole financial policy of the Government placed in operation for the conduct of the war and is an essential part of the same. It is not only based on the experience of all other important countries at war, but it is a fundamental part of the Government's policy of conserving all possible money, credit, labor, and supplies and concentrating them directly behind the war, as it is also directly an essential part of our Government's loan policy. Offerings of new securities for other than Government or necessary war purposes have been practically suspended everywhere except in the United States.

The real demands of the war relate to the securing of goods and services for war purposes. It follows as day follows night that nonessential industries should not, therefore, expand but that all available labor, materials, and capital above their normal requirements should be diverted to war purposes. The greater the amount of money thus made available for investment the easier can Government loans be floated and the lower will be the interest charges. It is a well-known fact that most of the industries in Austria, Turkey, and Germany not directly connected with the war are either crippled or destroyed. The people are putting their all into the war. Many nonessential industries there have been diverted to war purposes; others have been obliged either to run at a normal or less than normal

capacity or to close down. During the year 1917 in Germany the increase in capital for existing companies and issue of shares by new companies only aggregated \$105,000,000. Twenty-five million dollars of this amount was due to increase in capital by aniline concerns in November. New capital issues in England for the year 1917, apart from Government issues, were between \$30,000,000 and \$40,000,000. It was about the same for 1916. This was less than one-half of 1 per cent of the total, the balance of which was Government issue. No expenditures on new buildings in excess of \$2,500 is allowed there without permission of the treasury. In the beginning of capital issues control in England the officials undertook to halt all construction work involving new capital expenditures until after the war, except for war purposes. The Government has even compensated contractors for damages resulting from a cessation of such construction work. Our original bill allowed an exemption of \$100,000. Prior to the war the issues of new capital in England were more than \$1,100,000,000, whereas under strict Government regulations the amount is now but little over \$30,000,000, making a net saving of toward \$1,000,000,000 to go into war bonds and the production of war supplies. Under like restrictions here the Government would derive far more than \$1,000,000,000 for direct war purposes. Little wonder money and material for the war are scarce, with interest rates increasing.

Mr. Chairman, it is claimed here in support of the view that all nonessential industries and businesses should be allowed to expand and produce war profits ad libitum that the persuasive influence of the proposed capital issues committee will curb them sufficiently. England is cited as having no general express law for this purpose. The truth is that England has a number of statutes expressly authorizing the prohibition of new capital issues as to certain classes of industry, while the power of the treasury to control the stock exchange gives the treasury committee authority equivalent to that of law as to other new capital issues. It has been by these combined means, and only by them, that suitable restrictions have been imposed and carried out in England.

The absolute folly of depending on nonessential industries to observe the persuasive suggestions of a capital-issues board with no authority is better illustrated by the experience of Canada, whose committee was acting under an order in council, which was a law. The law there prohibited either the selling or purchasing of prohibited securities and imposed a penalty of imprisonment for not exceeding one year, or a fine not exceeding \$5,000, or both, in the discretion of the court. In the face of this severe penalty large blocks of new securities were issued and sold without the necessary approval of the committee, with the result that the Government on January 9, 1918, issued another order in council allowing the committee, in certain cases, to give its approval after the issue and sale of such issues in order to save the violators from the penalties incurred. This related to meritorious cases alone. Criticism of the penalty contained in the first draft of this bill for violation of these security restrictions has been made. The laws of France, Germany, and Canada impose penalties equally effective or more so. I herewith append copies of the laws of four other Governments on this subject.

Mr. Chairman, just now the Government is strenuously calling on every citizen to produce and to save. The cry "Produce, save, restrict, or eliminate nonessentials!" is to-day ringing through every European country. The Government must have all available supplies of every kind necessary for the conduct of the war. It is just as necessary, therefore, that money and credit should be conserved, concentrated, and made available to the Government with which to pay for needed war supplies, as it is that they should be produced and made available for the Government's use. Upon what theory, therefore, can the Government call on one class of citizens to save all the money and produce all the war supplies possible and place both at its disposal, while at the same time leaves another class of citizens free to utilize any amount of new capital or labor or material, so vital to our war necessities, in developing all nonessential industries and turning out large war profits to their own enrichment? When we behold the central powers marshaling their entire financial and economic forces behind the war to the practical abandonment of nonessential enterprises; when we see our allies in Europe doing virtually the same thing, with a view to putting every ounce of material, every hour of labor, every dollar of money that can be made at all available in compact, concentrated support of the war, how can we in justice to our allies, much less to ourselves, proceed with indifference as to the hundreds of millions of money, the immense amount of labor, and the large quantities of material unnecessarily retained for the development and expansion of nonessential businesses to the great detriment of our war supplies, our labor necessities in

shipbuilding, and other war-industry plants, and to our money and credit supply so necessary for the floating of large temporary and permanent loans? I fear that we do not yet realize the magnitude of our task. I fear that there is too much disposition to expect others to perform such additional war services, at whatever cost or injury, as would involve some sacrifice or disappointment to those who should perform them.

Naturally, the policy of controlling new capital issues during the war will involve injuries to a business or class of business here and there, but it may be said that this would be infinitesimal to the overwhelming injury that would result to all classes of business and to our institutions as well in case we should unduly protract or fail to win the war by our deliberate refusal to organize, conserve, and mobilize our money, credit, and supplies to that full extent which both our enemies and our allies have already done. Every good citizen should be ready and willing to conform to the necessary restrictions of new capital issues. The law, with its penalties, would not disturb him; every shirking citizen should be compelled to conform to them, and to that end the law should disturb him. Who has a right, therefore, in the interest alone of the business concern that would shirk its duty and violate these regulations, to demand immunity for it? The citizen can not learn too soon the necessity for giving more of his time and money to the Government and less to his own enrichment if we are to win this war.

Mr. Chairman, the pending bill also authorizes the corporation to buy and sell bonds of the United States. It is understood that the chief purpose of this provision is to enable the corporation to make such purchases of outstanding war bonds and at such times as would tend to stabilize the Government loans. I am gratified to see this principle embodied in the bill. It was my individual view that the bond-authorization act of September 24, 1917, should have contained it. Under the operation of such plan I am satisfied the present market situation of our liberty bonds would have to-day been much more favorable than it is. I speak in the light of the experience of both England and France during the past year. The only purpose of this method is to protect liberty bonds from artificial market conditions and to maintain them at their true and real market level, whether in the condition of the investment market that be par or slightly below par. Naturally, many individuals purchased bonds on credit procured at the banks. During recent months a large number have found themselves unable to make payment, with the result that their bonds went on the market at forced sale and at a discount, the inevitable effect of which has been apparently to depreciate the entire issue of first and second liberty 4's, aggregating near \$4,500,000,000. This unfortunate condition now confronts the Government in the face of a new long-term loan which must soon be effected. The result is that higher interest rates are being generally demanded. Fair and reasonable rates of interest should be paid by the Government on its war loans, but the greatest possible care and caution should be exercised, to the end that excessive rates and the great burdens which they would entail on this and the next generation may be avoided. It is well understood that a system of successive war loans carrying a conversion privilege in each case very seriously hampers the Government in its efforts to keep the interest rates at the proper and fair level.

I wish to repeat, Mr. Chairman, that the action of the capital-issues committee in England has all the force and effect of law. It is impossible, under the power which they exercise through agencies which really are as effective as law, for any concern to put new issues on the market in violation of their order.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield there?

Mr. HULL of Tennessee. Yes.

Mr. GREEN of Iowa. I agree with the gentleman entirely on that. In England it is done by the force of a treasury regulation, as the gentleman is of course aware, and by this treasury regulation they undertake to absolutely forbid such issues as they do not approve, and I think they have succeeded quite completely in enforcing the regulation.

Mr. HULL of Tennessee. I am appending the laws of four countries to my remarks.

Mr. LONGWORTH. May I add right there, is not the Government control of the stock exchange complete?

Mr. HULL of Tennessee. The treasury have complete control of the opening and closing of the exchange, and they would not allow it to be opened after it was closed during the early stages of the war, except on condition that no stock should be handled unless permission was first secured from the capital-issues committee.

Then they have two or three separate statutes which expressly give authority to prohibit stock issues as to certain other classes of capital.

Mr. PLATT. Will the gentleman yield?

Mr. HULL of Tennessee. I yield to the gentleman from New York.

Mr. PLATT. The gentleman is a student of economics. I wonder if he could go a little more into detail into the question of nonessential industries? For instance, England apparently has not discouraged, and perhaps has encouraged certain industries which are not in any way essential to the war, but which are exporting industries. So her exports have been kept up pretty well. Is not that true?

Mr. HULL of Tennessee. Some of her exports have been kept up, but she has a balance of trade against her now of \$2,300,000,000, notwithstanding such volume of exports as she has been able to maintain.

Mr. PLATT. There has not been an effort to shut out industries which are not indirectly connected with the war, though, if they were industries which brought credit to England and extended or maintained her export trade.

Mr. HULL of Tennessee. If the gentleman will pardon me, I am sure he will find, as I have stated, that they have not only imposed severe restrictions on new capital issues for nonessential purposes, but they went at once to every contractor constructing an important building and said, "We ask you to cease this construction until after the war." In many cases the contractors did this; in others they declined on account of the damage involved; and the Government said, "We will pay the damage. We want your new capital, your labor, and your materials to put into the war."

Mr. PLATT. They did not undertake to hold down industries from going ahead as they were, without extra buildings or extra capital, did they?

Mr. HULL of Tennessee. In some instances they have so well restricted and curtailed the operation of large parts of their nonessential industries as practically to put them out of business. They openly say that somebody will have to suffer, somebody will have to make some sacrifices in connection with the general plan of the Government to mobilize all available money and credit and labor and supplies for the prosecution of the war. We do not expect our nonessential industries to go full tilt, expanding, as the war goes on, and make increased profits at the expense of the war.

Mr. PLATT. What they did practically was to stop their expansion.

Mr. HULL of Tennessee. They stopped their expansion and largely denuded them of labor and supplies. The Government put its hands on the raw material at the source and they were soon cut off, and the Government made no effort to help them. It was too busy with the war.

Mr. MOORE of Pennsylvania. As our bill was first presented to the House it was intended to comprehend that sort of a compulsory feature here?

Mr. HULL of Tennessee. Yes. Now, Mr. Chairman, I must hasten along.

Mr. STERLING of Illinois and Mr. FOCHT rose.

The CHAIRMAN. Does the gentleman yield; and if so, to whom?

Mr. HULL of Tennessee. I will yield to these two gentlemen, and then I just must conclude.

Mr. STERLING of Illinois. I conclude that the gentleman thinks this law ought to provide somewhere the power to prohibit the issue of stocks. Now, as I remember, it was repeated before the committee that there was already in operation through the Secretary of the Treasury a voluntary committee, who are acting in substantially the same capacity that this committee will act. Was it not represented to the committee that they were fairly successful and were preventing the issue of unnecessary stocks?

Mr. HULL of Tennessee. The Secretary of the Treasury stated that they had made considerable progress in that class of work. When I looked into the experience over in Canada, however, where a similar penalty was imposed, and found so many different classes of new stock issues put on the market in utter defiance of the existence of the committee and the penalties, and when I reflected further as to the innumerable kinds of industry in this country compared with the smaller number in Canada, it was impossible to escape the conclusion that immense amounts of new capital—it may be of a comparatively small nature in many cases—will be further utilized in these nonessential lines, with the result that a vast amount of money in the aggregate would be lost to the Government in connection with the prosecution of the war.

Mr. STERLING of Illinois. I got the impression, if not the conviction, that the Secretary of the Treasury, through the banks, could make it practically impossible for any very great issue of bonds to be made that even this voluntary committee disapproves of.

Mr. HULL of Tennessee. True as to very great new issues. There will be so many smaller ones that will ignore the committee.

All of such nonessential investments, all of such purchases keep that amount out of shipbuilding, keep it out of all classes of war industry, and you will greatly hamper the strength and capacity of the Government to finance the war at a reasonable rate of interest in the first place, and in the second place it is deprived, as stated, of the labor and materials that would otherwise be available.

Mr. FOCHT. Will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. FOCHT. The gentleman from New York referred a moment ago to the industrial activity of England. I assume that the method employed, or a similar one proposed here has something to do with stimulation of that activity. I was advised, much to my surprise, by a gentleman who knows as much about shipping as any person in the country that the exports from England are now greater than they were prior to the war. I would like to have the gentleman, if he has any such information, confirm it.

Mr. HULL of Tennessee. The chief concern with warring countries in the examination of imports and exports now is to see where the balance of trade is.

Mr. FOCHT. That would have no result in the amount of exports prior to the war and at the present time. They might have much more imports than they had before and still greater exports.

Mr. HULL of Tennessee. If the gentleman takes that question up, he is obliged to go back and allow for the increased values over the value of imports and exports before the war. You may find that the exports are now double in value those before the war, but if you look at the quantity you may find that they are less than they were before the war. It requires an investigation at the different stages as to the actual relative quantity and value.

Mr. FOCHT. I was hopeful to find through the methods here a possibility of the same stimulation that they have had there because of the increased capital and the flexibility of the whole financial situation.

Mr. HULL of Tennessee. I see the gentleman's point now, and it is a good one.

Now, Mr. Chairman, this Government can adopt the stabilizing method proposed in this bill, and I am not criticizing this method, but I am only urging that it should have been supplemented by the English and French methods.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. MOORE of Pennsylvania. The Secretary of the Treasury did not approve the setting aside of a sinking fund or the retention of the bonds at par, as I recall it.

Mr. HULL of Tennessee. I understand that.

Mr. MOORE of Pennsylvania. The gentleman is advocating the French method, and I thought it was fair to the committee to say that the Secretary did not approve the adoption of this method.

Mr. HULL of Tennessee. That is true, but I hope to persuade the Secretary that he ought soon to recommend it, and I say that for this additional reason. We have been preaching over this country that persons should purchase Liberty bonds and should not sell them; that the market ought not to be loaded and oppressed with sales when once purchased, whereas in this corporation bill we make one prime function of that corporation, to buy and sell bonds in order to stabilize the market.

Mr. Chairman, as to interest rates, should the war go on for some time, as it bids fair to do, we will later see a general demand arise for higher rates of interest on the loan to follow the coming one. I wish to say something on this subject presently. Some persons say that a stabilizing method creates artificial interest conditions. On the contrary, it would remove or prevent an artificial interest and capital value situation created by the forced sales of a very small percentage of the total volume of bonds outstanding. England set aside each month one-eighth of 1 per cent of the total issue under her last long-term loan, which included \$5,000,000,000 of new money and about \$5,000,000,000 of conversions, for the purchase of these bonds in the market when they went below par. During the past 12 months she has expended near \$140,000,000 in this manner—\$150,000,000 has been set aside—with the result that the four have been at or above par most of the time, while the 5½ per cents, subject to all income tax, have either been kept at or near enough to par as to create no injurious effects on her temporary or forthcoming long-term loans. France has utilized almost the identical method, and it continues in operation without criticism.

The best judgment of the Government and of financiers in England and France has supported this method as the most

effective means of stabilizing their respective Government loans. Those Governments could have adopted the method proposed in this bill or any one of several others, but they still cling to the plan which I have described, and experience has seemingly justified its wisdom and practicability. My individual judgment is that this bill should contain the provision now in it and also the English and French plan. It is obvious that with the forthcoming loan the amount of outstanding bonds will at least reach \$10,000,000,000. From experience abroad, it will be necessary to purchase \$150,000,000 annually for stabilizing purposes. The new corporation, I fear, will be too much engrossed in making advances in other directions, with the result that these pre-emptions of its resources will leave an inadequate amount with which to buy war bonds on the market and stabilize our loans. Combined with this additional method which I have described the corporation would then be in an attitude merely of supplementing the purchases of the Treasury to such extent as might be deemed wise and necessary for stabilizing purposes. This combined plan would save considerable interest. The English method operates as a sinking-fund proposition to the extent of the bonds purchased.

Mr. Chairman, referring again to our rising interest rates, I think it would be unwise to insert another conversion clause in the forthcoming long-term bonds. To continue to do so would result in swinging the entire volume of outstanding war debt to the highest interest level that will be reached during the course of the war. One may say that we could then refund into lower rates of interest in the course of some five year after the war. The answer to this is that no government will be able to refund twenty or thirty billion dollars within any short time at that stage. We might greatly profit here by the course and example of the English Government in dealing with a gradual and certain rising of interest rates at each successive loan stage. Her first long-term loan was floated in 1914 at 3½ per cent; her second in 1915 at 4½ per cent; during the latter part of 1916 the Government was being forced to pay 5½ per cent on treasury bills of 12 months or less and 6 per cent on exchequer bonds of three years. The necessity for another large long-term loan to absorb some of the floating indebtedness and to secure new money confronted the Government. There was a general clamor for higher interest rates on the new loan and suggestions upon every hand that it would have to bear around 6 per cent interest. This outcome was seemingly inevitable. A new ministry came into power, however, in the meantime.

The new treasury officials decided that the Government would take a hand in shaping the course of the money market. They at once announced a discontinuance of the issue of any more short-term paper at 5½ per cent and 6 per cent. They prepared a prospectus of the new loan. This proposed two interest rates, in the alternative—one rate was about 5½ per cent subject to all income tax; the other rate was determined by subtracting from this higher rate the existing normal income tax rates, which fixed it at 4 per cent "with normal income tax compounded," but subject to supertax. The supertax rates then, as now, ranged as high as 42½ per cent. The loan campaign which followed in February was an immense success and the flotation of this loan at these rates is still pointed to as a great achievement of the Government. To-day the English 4's subject to supertax are at a premium, while ours are under 97. Since that time English Government borrowing and disbursements have been the chief influence in the money market, and discount rates have been following the rates at which treasury bills were to be had. When the sale of three-month treasury bills at 5½ per cent was suspended in January, 1917, their market at once fell to 5 per cent. At the end of April weekly sales of three-month treasury bills at 4½ per cent were inaugurated. On December 27 the rate for three and six month treasury bills was lowered to 4 per cent, and this brought down discount rates correspondingly. During the fore part of the present year three and six month treasury bills were sold as low as 3½ per cent, while bank-deposit rates went to 3 per cent. It may be contended that the loans made to England by this Government made these interest reductions possible. Perhaps a suitable reply would be that England has during this time been obliged to take care of an unfavorable trade balance of \$2,300,000,000; she has been obliged to maintain her international exchange situation, which required the payment of a separate and higher interest rate than her domestic rates; she has during the past year loaned her dominions and allies \$2,000,000,000; she has also been struggling along under the burden of \$24,000,000,000 indebtedness. It is also true that England did not float a large amount of bonds abroad during 1917.

Then, Mr. Chairman, why should not our Government, as the chief factor in our money market, which it is, exercise its influence to the extent consistent with our domestic conditions,

with a view to stabilizing the money market and keeping our interest level, not below a legitimate plane that would be fair to investors in the circumstances, but on what should be a basis reasonable to the Government, to the investors, and to the American people liable for repayment of all Government obligations contracted? I feel assured that our Government officials will do, and are doing, their whole duty in this respect. The Government here, as it has elsewhere since the outbreak of the war, has necessarily put its hands on transportation, on most kinds of production, and in a way on labor. It embargoes both exports and imports. It has, in other words, become a factor in the labor market, in the production and prices of foodstuffs, in the manufacture and prices of all essential war supplies, in shipbuilding, and in the operation and rate making of all lines of transportation. It is a still larger factor in the money market. It is not only the biggest borrower, but the biggest lender.

I am not indicating my views as to how high interest rates to the Government should go now or during the war, but I do emphasize the view, not to say the necessity, that no high point to which interest rates are bid up by a group of bankers or a group of other business men, or by any locality, for some temporary profit-making purpose, should be allowed to control the fair interest level for the Government waging this great war in behalf of all classes of people and of business. I am glad strongly to commend the Treasury's course thus far, and feel satisfied as to its future course. Let there be no profiteering in interest at the expense of the Government at this time of its dire need any more than in war supplies. With the Government the question of borrowing money with which to prosecute the war is immediately followed by the close secondary problem of how to deal with the huge debt which will exist at the end of the war.

On September 13, in closing my remarks in support of the second war bond-issue measure, I said:

The motto of every citizen should be, "To produce and to save." He should then be content to turn over to the Government, if necessary, the maximum amount of his profits and savings above the portion strictly necessary for personal and business requirements. If the war should continue for another year or more, the extreme necessity for producing and saving with a view of aiding the Government to the fullest possible extent will later become far more apparent than now.

May I, with emphasis, repeat this utterance? This should not only be the motto of every citizen, but of every department, bureau, and division of the Government. Foreign governments at war, as I know ours has and will in every possible way, have long since inaugurated many new systems and methods of checks and balances on expenditures, including a system of expenditure control in each department, with the result that large savings have been made without impediment or delay in the prosecution of the war. Some time ago the English Government caused an order to be sent throughout the army with respect to salvage. Salvage commissions to collect and deal with unserviceable materials were appointed. In the reply made by Mr. Bonar Law for the Government in the House of Commons on January 14, 1918, the following statement, among others, was made:

Amongst the results achieved: From waste fats collected from army camps alone have been produced (1) sufficient tallow to provide soap for the entire army, navy, and Government departments, with a surplus for public use, producing an annual revenue of \$4,800,000, in addition to saving valuable tonnage; (2) 1,800 tons of glycerine for munitions sufficient to provide the propellant for 18,000,000 18-pounder shells. The glycerine costs the Government \$300 per ton, as compared with \$1,500 per ton, the price of imported glycerine; (3) while over \$5,000,000 worth of military rags have been recovered and used in the manufacture of new cloth and blankets for the army.

The fourth and last report of the expenditures committee shows that from technical investigations savings of \$15,000,000 on cordite contracts have resulted; also \$175,000,000 on gun ammunition; \$10,000,000 on gun equipment; and \$5,000,000 on aircraft.

Mr. Chairman, may I divert from the bill long enough to say that England finally woke up to the fact that since her first advance toward Paris Germany's principal gains have been made by her propaganda system? England now has a minister of propaganda. It was my view months ago that this Government should set aside \$50,000,000 for legitimate propaganda work to expose and offset the German system and to present our true attitude and the real war situation to the people of Russia and of several other countries where this work has been sorely needed.

In conclusion, Mr. Chairman, I most heartily support this bill as the most desirable and efficient method of rendering financial aid so urgently needed. It will strengthen—not weaken—existing financial agencies. We are approaching a severe test of our financial strength. We can and shall successfully stand that test. To do so with greatest certainty and safety, however, a better and fuller realization of the huge burdens to be met and borne must be awakened in the minds of many citizens and business concerns.

Some personal and nonessential business sacrifices will have to be made, just as in other countries at war. Our war industries and our allies, for example, must have adequate fuel, even at the expense of the expansion of nonessential concerns.

All that is valuable and dear to humanity is at stake in this war. The achievements of hundreds of years in the higher, greater, and better development of government, education, Christianity, finance, commerce, and civilization itself hang in the balance. The Anglo-Saxon race fighting for the allied cause will not let them be stricken down. The outcome is not in doubt. I have had, and now have, the firmest and most unalterable faith in victory. We can, we must, we shall win. [Applause.]

APPENDIX.

FRANCE.

GOVERNMENT CONTROL OF ISSUE OF SECURITIES BY PRIVATE CORPORATIONS.

On May 31, 1916, the French Parliament passed the following "law restricting the right of issuing securities during the continuance of hostilities" (Journal Officiel, June 1, 1916, p. 4854; Legislation de la guerre de 1914-1916, vol. 4, p. 209):

"Sec. 1. The issuing, advertising, placing on sale, or introducing into the market in France of bonds or other securities of foreign governments or of stock or shares of whatever nature of French or foreign cities, corporations, or companies is forbidden from the date of the publication of this law until such time as shall be determined by a decree in council of the ministers after the cessation of hostilities.

"This provision, however, is subject to modification by order of the minister of finance.

"Sec. 2. Infractions of this law shall be punishable by imprisonment for not less than six months and not more than one year and by a fine of 1,000 to 10,000 francs; in case of a second offense by imprisonment for not less than one and not more than two years and by a fine of 10,000 to 25,000 francs.

"Section 463 (this section provides that when, in the case of a person convicted of crime, the jury finds extenuating circumstances, the penalty shall be modified in a certain manner, as set forth in the laws of May 13, 1863, Nov. 27, 1870, and Oct. 26, 1888) of the Penal Code shall apply to this law."

Two months after its passage the law of May 31, 1916, received an official interpretation from the minister of finance, in reply to a question put to him in the Chamber of Deputies by M. Bergeon.

The question was, Whether the law of May 31, 1916, is infringed by such companies as increase their capital without appealing to credit or publicity, but by inserting in a newspaper a notification of the calling of an extraordinary general meeting for the purpose of increasing the company's capital.

The reply was, The provisions of the law of May 31, 1916, place no obstacle in the way of the fulfillment by the companies of legal or statutory formalities required for the issue of additional stock. The placing of this stock, however, if effected by an appeal to the public or through publicity, falls under the ban of the law.

GERMANY.

GOVERNMENT CONTROL OF ISSUE OF SECURITIES BY PRIVATE CORPORATIONS.

[Proclamation of Mar. 8, 1917, relating to Government control of the issue of bonds or preferred stock (Reichs-Gesetzblatt 1917, p. 220).]

The Bundesrath, by virtue of the power vested in it by section 3 of the act of August 4, 1914 (RGB., p. 327), authorizing the Bundesrath to adopt economic measures, does hereby proclaim the following order:

"SECTION 1. Until further notice bonds issued within the Empire of a definite nominal value payable in money, which, in the proportion of such nominal value to the entire indebtedness give to the bondholders substantially equal rights, may not be put in circulation unless authorized by the Government. With respect to bonds payable to bearer, the existing provisions of law remain in force.

"Until further notice companies within the Empire may not issue preferred stock which entitles the holder to a definite maximum dividend fixed in advance unless authorized by the Government.

"Sec. 2. Such authorization may be given by the central authorities of the State in whose territory the person issuing the bonds has his domicile, or his industrial establishment, or in which the company has its principal place of business.

"The validity of the bonds or of the stock shall not be affected by the want of such authorization.

"Sec. 3. Whoever, contrary to the provisions of section 1 of this order, issues bonds or stock without the authorization of the Government, or acts contrary to the conditions accompanying such authorization, shall be punished by a fine not exceeding one-fifth of the nominal value of the bonds or stock which have been issued without the authorization of the Government, or with reference to which the conditions imposed have been violated; the minimum fine shall be 1,000 marks.

"Sec. 4. The foregoing order shall take effect on the day of its promulgation. The imperial chancellor may determine when this order shall cease to be effective."

STATE CONTROL OVER ESTABLISHMENT AND EXTENSION OF COMPANIES IN GERMANY.

[From Board of Trade Journal, Dec. 6, 1917, p. 517.]

According to the Deutscher Reichsanzeiger (Berlin) of November 6, a Bundesrath order, dated November 2 requires until further notice the consent of the State governments for:

"1. The establishment of a share company or limited company with more than 300,000 marks (about £15,000 at par exchange) of original capital. If shares are issued at a premium the actual issue price is the one to be considered.

"2. Any decision to make such an increase in the original capital of a share company or limited company founded after November 5, 1917, as will bring the original capital of such a company up to more than 300,000 marks; and any decision to make such an increase in the original capital of a share company or limited company founded before November 5, 1917, as will bring the total additions since that date to the original capital of such company up to more than 300,000 marks.

"3. Any decision to issue participating certificates conferring a claim upon the dividends of a share company or limited company, or upon a share of the property of such company in the event of its dissolution."

The State government competent to grant the requisite permission in any particular case is the Government in whose territory the company is question is established or is to be established. The imperial chancellor is authorized to prescribe that the consent may be granted only in agreement with himself or with an authority specified by him.

A regulation, dated November 2, issued by the imperial chancellor under this order, prescribes that the consent required by the order shall be granted by the State governments only in agreement with the directorate of the imperial bank.

GOVERNMENT CONTROL OF ISSUE OF SECURITIES IN CANADA.

[Text of orders in council Dec. 22, 1917; Jan. 9, 1918.]

CANADIAN ORDER IN COUNCIL, DATED DECEMBER 22, 1917.

Whereas it is advisable that the Canadian investment market should be conserved to facilitate the borrowing of the large sums of money that will be required for the prosecution of the war and to enable His Excellency's Government, if need be, to fully avail itself of the loaning capacity of the country for the paramount purposes of national defense, and that the impairing of the market should be prevented by forbidding the offering and sale thereof of securities for raising money for purposes the execution of which may, in the public interest, be postponed until peace has been restored, provision being made for the issue by the minister of finance of a certificate permitting the offering and sale of such securities as the said minister shall deem proper to except from such prohibition;

Therefore His Excellency the Governor General in council, on the recommendation of the minister of finance and under the provisions of the war-measures act, 1914, is pleased to enact the following regulations, and the same are hereby made and enacted accordingly:

1. It shall be unlawful within Canada, by or on behalf of any provincial, colonial, or foreign government, municipality, commission, local government, institution, corporation, or incorporated company to issue, sell, offer, or advertise for sale any bonds, debentures, or other securities evidencing an obligation to repay money borrowed, which may hereafter be issued by or on behalf of any such colonial or foreign government, municipality, commission, local government, institution, corporation, or incorporated company as aforesaid, or any shares which may hereafter be issued of the capital stock, whether preferred or common, of any such corporation or incorporated company, or to purchase or agree to purchase any of the bonds, debentures, or other securities or shares of capital stock aforesaid, unless the offering and sale thereof within Canada shall have been first approved by the minister of finance by his certificate of approval in writing: *Provided*, That nothing herein shall affect the issue, offering, advertising, sale, or purchase of any bonds, debentures, or securities of the Government of Canada, or the trading in any bonds, debentures, securities, or shares of capital stock heretofore issued and placed upon the market, or which shall have been originally issued and placed upon the market with the approval of the minister of finance evidenced by his certificate as aforesaid.

2. Any issue or sale made in contravention of the foregoing prohibition shall be deemed to be in excess of the authority of the provincial, colonial, or foreign government, municipality, commission, local government, institution, corporation, or incorporated company on behalf of which the same is made, and may be restrained by action at the suit of the attorney general of Canada in the public interest; and, moreover, any person issuing, selling, or offering or advertising for sale or purchasing or agreeing to purchase any such bonds, debentures, or other securities, or any shares of capital stock so issued, sold, offered, or advertised for sale, without the certificate of approval hereinbefore required, shall be guilty of an offense, and shall be liable, on summary conviction before two or more justices under the procedure prescribed by Part XV of the Criminal Code, to imprisonment for a term not exceeding one year or to a fine not exceeding \$5,000, or to both imprisonment and fine, in the discretion of the tribunal.

3. For the purposes of the foregoing regulations the words "sale," "sell," and "purchase," and their parts, shall be held and interpreted to include mortgaging, pledging, or parting with any right or interest in consideration of money, or, as the case may be, acquiring, by way of mortgage, pledge, or otherwise, any right or interest in consideration of money.

CANADIAN ORDER IN COUNCIL, DATED JANUARY 9, 1918.

Whereas the minister of finance reports that he is informed that securities have been issued and sold without the certificate of approval required by the regulations enacted by the order in council of the 22d day of December, 1917 (P. C. No. 3439), such issues having been made and securities sold and purchased by the parties concerned without knowledge on their part of the said regulations; and

Whereas in the case of these issues there would have been no objection, in the public interest, to the granting of a certificate of approval if it had been applied for, and as the effect of the said order is to make the securities illegal and the several parties liable to penalties, and as there may be other causes of a similar nature of which the minister of finance has not been advised, or which may arise in the future, it is therefore deemed desirable that the regulations should be amended and the following regulations enacted and made:

Therefore his excellency in council, on the recommendation of the minister of finance and in virtue of the powers in that behalf conferred by the war-measures act, 1914, or otherwise vested in the governor general in council, is pleased to make the following regulations and the same are hereby made and enacted accordingly.

REGULATIONS.

1. Notwithstanding any provisions to the contrary in the regulation enacted by the order in council of the 22d of December, 1917 (P. C. 3439), the minister of finance shall have power to give his certificate of approval for the offering and sale within Canada of any bonds, debentures, or other securities or shares of capital stock referred to in said regulations after the same have been issued, offered, advertised for sale, sold, purchased, agreed to be purchased, mortgaged, or pledged, or any right or interest therein has been parted with or acquired, and such certificate, or proper evidence of the issue thereof, shall be conclusive evidence that the offering and sale within Canada of the bonds, debentures, or other securities or shares of capital stock mentioned in such certificate was duly authorized and approved by the said minister; and that the issuing, offering, sale, advertising for sale, or otherwise dealing with such securities or shares, or any right or interest therein, was not done in contravention of the said regulations, and did not constitute an offense thereunder.

2. The minister of finance may grant his certificate of approval, as aforesaid, with respect to any bonds, debentures, or other securities or shares of capital stock referred to in the said regulations which have been of may be issued on or after the said 22d day of December, 1917.

3. The powers conferred upon the minister of finance by the said regulations and by these regulations may also be used and exercised by a minister acting for, or, if the office is vacant, in the place of, the said minister, and also his successors in such office and his or their lawful deputy.

ENGLAND.

GOVERNMENT CONTROL OF SECURITY ISSUES.

The Government control or regulation of security issues in the United Kingdom is effected to a large extent through the London Stock Exchange. As a condition of reopening the stock exchange the treasury made public a memorandum dated December 24, 1914, approving the opening of the stock exchange from January 4, 1915, subject to certain restrictions which the treasury therein imposed. One restriction is as follows:

"No dealings shall be allowed in any new issue made after January 4, 1915, unless specially allowed by the committee and approved by the treasury."

Another provision of this memorandum was as follows:

"It should further be borne in mind that many of the transactions which the rules are designed to prevent are illegal under the trading-with-the-enemy acts and proclamations or under the common law."

These various acts are then cited in the footnotes. On January 27, 1915, the treasury announced that the chancellor of the exchequer had appointed a committee to consider and advise upon applications received by the treasury for approval of fresh issues. The committee consisted of five persons, one of whom was the governor of the Bank of England and another a member of the board of trade.

On January 19, 1915, the treasury made the following announcement as to control of fresh issues of capital:

"In connection with the reopening of the stock exchanges the treasury have had under consideration the general conditions under which new issues of capital in the United Kingdom can be permitted during the continuance of the war.

"It appears to the treasury that in the present crisis all other considerations must be subordinated to the paramount necessity of husbanding the financial resources of the country with a view to the successful prosecution of the war. Accordingly, they wish it to be understood that until further notice they feel it imperative in the national interest that fresh issues of capital shall be approved by the treasury before they are made.

"Treasury approval will be governed by the following general conditions:

"(1) Issues for undertakings carried on or to be carried on in the United Kingdom shall only be allowed where it is shown to the satisfaction of the treasury that they are advisable in the national interest.

"(2) Issues or participations in issues for undertakings carried on or to be carried on in the British Empire overseas shall only be allowed where it is shown to the satisfaction of the treasury that urgent necessity and special circumstances exist.

"(3) Issues or participations in issues for undertakings carried on or to be carried on outside the British Empire shall not be allowed.

"(4) The treasury will not in ordinary cases insist upon the above restrictions where issues are required for the renewal of treasury bills or other short instruments held here and falling due of foreign or colonial governments or municipal corporations or railways or other undertakings.

"All applications should be made in the first instance to the treasury. The treasury will not be prepared to approve under paragraph 4 (3) of the temporary regulations for the reopening of the stock exchange (a) any dealings in new issues which have not been approved by the treasury before they are made."

On January 29, 1915, the following treasury notice as to control of fresh issues of capital was issued:

"The approval of the treasury should be obtained for all these issues of capital of whatever nature, whether made on behalf of a Government, municipality, or other public body, or any company, whether public or private. Treasury approval is not required for calls of installments on shares, stock, debentures, or bonds already issued.

"All applications for approval of fresh issues should be addressed to the Treasury the envelope being marked 'Capital issues.' In order to save delay and reduce correspondence to the minimum it is desirable that the fullest particulars should be given in each case."

On March 25, 1915, the following circular letter of the local government to local authorities as to approval of fresh issues of capital was made public:

"BORROWING BY LOCAL AUTHORITIES.

"SIR: In their circular letter of the 11th instant, the local government board referred to the decision of the lords commissioners of His Majesty's treasury to restrict capital issues by local authorities within the narrowest limits: (a) It was pointed out in the same circular letter that labor should be economized by local authorities as far as possible and that the inception of new works, except such as are of pressing necessity either for reasons of public health or on account of war requirements, should be avoided.

"The board have been in communication with their lordships in regard to this matter and it has now been arranged, in order to meet the convenience of local authorities and to avoid duplication of labor, that the sanction, approval, or consent of the local government board to any borrowing under powers conferred by public general acts or by local acts or provisional orders, under which such sanction, approval, or consent is required, shall suffice without any further approval by the treasury where—

"(a) The sanction, approval, or consent has been given on a date subsequent to the 12th instant; and

"(b) The money proposed to be raised is to be raised otherwise than by the issue of stock, bonds, or bills.

"Where a local authority hold a sanction, approval, or consent of the board of an earlier date than the 12th instant which has not yet been acted upon, whether wholly or in part, no further action must be taken upon it without a further sanction from the board authorizing the action unless the money is to be raised by the issue of stock, bonds, or bills, when the consent of the treasury must be obtained instead of the further sanction of the board.

"The treasury have further decided that their approval will not henceforth be required for the renewal or replacement by local authorities of maturing mortgages.

"With respect to the statement in the board's circular letter, to which reference is made in the first paragraph above that it has become necessary to avoid the inception of all new works except such as are of pressing necessity, either for reasons of public health or on account of war requirements, it must be understood that these terms will be construed in their strict sense.

"Consequently, before any application is made to the board with a view to the immediate execution of works, local authorities should fully satisfy themselves that they can show that the expenditure can not be avoided, postponed, or reduced. Any application should be accompanied by a statement of the facts upon which the local authority rely to prove these points.

"The treasury are anxious that the attention of local authorities should be particularly drawn to the fact that economies and restrictions on borrowing are possible not only as regards new works but also as regards works in progress. As regards these latter, it will frequently be found possible by arrangement with contractors or otherwise to postpone works or parts of them or to enlarge the period allowed under contract for their completion. In any case in which an application for sanction to this board or to the treasury is necessary, where works are in progress or are the subject of a contract, it will be necessary to demonstrate that every possible effort has been made in this direction before the extent of the application has been finally determined upon."

On May 18, 1915, the chancellor of the exchequer was asked in the House of Commons whether he was aware that the treasury has no power to prevent the registration of a new joint stock company in regard to which it has refused to approve the issue of the capital with which it proposes to operate, and whether he proposes to ask Parliament for power to prohibit the issue of such capital. The following answer was given:

"The treasury have no legal power to make their disapproval of fresh issues of capital effective, and the Government do not propose to seek such power at the present time. I do not, however, consider it probable that in present circumstances promoters will persist in propositions of which the treasury have expressed disapproval, or that if they do persist, such propositions will be supported by the public. Should they do so, the question whether any advantage they may thereby obtain over those who have been content to be guided by the rules laid down should not be counterbalanced by special fiscal burdens will not fail to receive careful consideration."

Mr. MOORE of Pennsylvania. Does the gentleman from North Carolina expect to proceed any further to-night?

Mr. KITCHIN. Has the gentleman anyone who desires to speak now?

Mr. MOORE of Pennsylvania. We had intended to yield some time to those in opposition to the bill. The gentleman from Pennsylvania [Mr. McFADDEN] is here, also the gentleman from New York [Mr. PLATT], and the gentleman from California [Mr. HAYES] has made some arrangement in behalf of these gentlemen.

Mr. KITCHIN. Do these gentlemen desire to be heard to-night?

Mr. McFADDEN. Mr. Chairman, it is now 6 o'clock, and there are only about 30 gentlemen in the room, and I think it is time to adjourn.

Mr. KITCHIN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the Chair, Mr. GARRETT of Tennessee, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 10608, the war finance corporation bill, and had come to no resolution thereon.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Young, one of its clerks, announced that the Senate had passed bill of the following title, in which the concurrence of the House was requested:

S. 3799. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors.

The message also announced that the Senate had agreed to the amendments of the House to the bill (S. 1854) to save daylight and to provide standard time for the United States.

The message also announced that the Senate insisted upon its amendments to the bill (H. R. 9867) making appropriations to supply urgent deficiencies in appropriations for the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes, and had ordered that Mr. MARTIN, Mr. UNDERWOOD, and Mr. WARREN be the conferees on the part of the Senate.

ENROLLED BILL SIGNED.

The SPEAKER announced his signature to enrolled bill of the following title:

S. 1854. An act to save daylight and to provide standard time for the United States.

SENATE BILLS REFERRED.

Under clause 2 of Rule XXIV, the following bills were taken from the Speaker's table and referred to their appropriate committees, as indicated below:

S. 4090. An act to amend and reenact section 5200, Revised Statutes of the United States; to the Committee on Banking and Currency.

S. 3476. An act to authorize extension of a spur track or siding from the existing lines of railroad in the District of Columbia across First Street NE., between L and M Streets, to the build-

ings occupied by the field medical supply depot of the Army; to the Committee on the District of Columbia.

S. 3798. An act granting pensions and increase of pensions to certain soldiers and sailors of the Regular Army and Navy and of wars other than the Civil War, and to certain widows and dependent relatives of such soldiers and sailors; to the Committee on Pensions.

S. 3799. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors; to the Committee on Invalid Pensions.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. SCHALL for 10 days, on account of important business.

ORDER OF BUSINESS.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that the business in order on Monday next, the Calendar for Unanimous Consent, be dispensed with, that the bill H. R. 10608 be in order on that day, and that the business in order on Monday under the Calendar for Unanimous Consent be transferred to the Saturday following.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the business in order on Monday next under the Calendar for Unanimous Consent be dispensed with and transferred to the following Saturday and that the War Finance Corporation bill be in order on Monday. Is there objection?

Mr. MOORE of Pennsylvania. Mr. Chairman, I have no objection to that, except that I would like to know whether the gentleman proposes to use all day Monday in general debate?

Mr. KITCHIN. Yes. I am going to make an arrangement about that afterwards.

Mr. NORTON. I would like to ask the gentleman how long he expects it will take before we finish this bill?

Mr. KITCHIN. We hope to finish the bill by Tuesday night. I regard it as important that we should take Monday for the consideration of this bill, and that we should transfer the business in order on Monday to Saturday, in order that that calendar may be considered. Following the consideration of this bill it has been agreed and understood that the Moon bill, increasing the pay of the postal employees will be taken up and considered. Between now and March 26 we will have to pass another bond bill, and it is important that this bill should be gotten out of the way, so that we can take up the bond bill at the earliest possible moment, because the liberty loan campaign will begin on April 6, and some printing concerning it must be had. I think this bill ought to follow right along until we finish it.

Mr. STAFFORD. Mr. Speaker, reserving the right to object, I suggest that the gentleman make his request that the business in order on Calendar Monday be transferred to Saturday only as to unobjected bills. I make that suggestion for this reason: A great many Members of the House, as the gentleman well knows, are from nearby districts and leave the city on Friday night.

If the agreement is that business in order on Monday will be transferred to the following Saturday, that would bring up important matters that would be controverted under suspension of the rules. There is a large Unanimous Consent Calendar at present, but on no call of the calendar since the convening of this Congress has that calendar been completed.

Mr. KITCHIN. You mean, to confine it to unanimous consent?

Mr. STAFFORD. Unobjected to.

Mr. KITCHIN. That is, motions for suspending the rules?

Mr. STAFFORD. Yes.

Mr. KITCHIN. I will modify that, Mr. Speaker.

The SPEAKER. How does the gentleman modify it?

Mr. KITCHIN. I modify it by moving that business on the Unanimous Consent Calendar and business on next Monday be dispensed with, and that unanimous-consent bills—that is, bills on the Unanimous Consent Calendar only, unobjected to—be called on Saturday next.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the business properly coming up next Monday, unanimous consent and suspension of the rules and motions to discharge committees, be transferred to next Saturday, and that on next Saturday that no bills on the Unanimous Consent Calendar shall be considered except those unobjected to.

Mr. KITCHIN. In other words, the business on Saturday be confined to the Unanimous Consent Calendar?

The SPEAKER. That business on next Saturday shall be confined to the Unanimous Consent Calendar.

Mr. STAFFORD. That the order for next Saturday shall be bills on the Unanimous Consent Calendar, and that bills may be

considered on the Unanimous Consent Calendar that are not objected to.

Mr. NORTON. Mr. Speaker, a parliamentary inquiry.

Mr. GARRETT of Tennessee. Mr. Speaker, I ask unanimous consent that the business that would be in order under the general rules of the House next Monday be dispensed with.

The SPEAKER. Does the gentleman from North Carolina [Mr. KITCHIN] yield?

Mr. KITCHIN. I will adopt that suggestion and make that request.

Mr. CRISP. Mr. Speaker, I will object to that request.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that the business that would be in order next Monday under the rules be dispensed with, and that the bills on the Unanimous Consent Calendar be considered on the Saturday following, but that no motion to suspend the rules shall be made on that day. That gets what you are after.

The SPEAKER. Does that satisfy the gentleman from Wisconsin [Mr. STAFFORD]?

Mr. STAFFORD. That meets the request of "the gentleman from Wisconsin."

The SPEAKER. Why did you not say so?

Mr. STAFFORD. Because it was not submitted before, Mr. Speaker, in that form.

The SPEAKER. The gentleman from North Carolina [Mr. KITCHIN] asks unanimous consent that the bills in order on next Monday be transferred to next Saturday, and that next Saturday nothing except the Unanimous Consent Calendar shall be considered, and that no motion to suspend the rules or a motion to discharge committees shall be considered. Is there objection? [After a pause.] The Chair hears none.

INDUSTRIAL CREDITS—LIMIT OF GENERAL DEBATE.

Mr. KITCHIN. Now, I want to see if we can not agree that all general debate on the War Finance Corporation bill be closed when the committee rises on next Monday. I will not, of course, make the motion that the committee should rise before 5 o'clock anyway.

Mr. MOORE of Pennsylvania. Mr. Speaker, the gentleman from Michigan left a long list of those who desired to speak in general debate. I presume it will run over four or five hours. If the gentleman thinks we can get through on Monday, so that all these gentlemen may be accommodated—

Mr. KITCHIN. I will not move to rise until we do get through.

Mr. MOORE of Pennsylvania. All right.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that general debate shall be limited by the rising of the committee on Monday afternoon next. Is there objection?

There was no objection.

Mr. KITCHIN. That is general debate, and if we do not go under the five-minute rule for considering amendments on Monday, had we not better meet at 11 o'clock?

Mr. LONGWORTH. The gentleman has called a meeting of the committee at 10 o'clock a. m. Will he be able to finish?

Mr. KITCHIN. Oh, yes; because we will meet in this room.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

HOUSE OF MEETING ON MONDAY.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock on Monday.

The SPEAKER. Is there objection?

There was no objection.

ADJOURNMENT.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 9 minutes p. m.) the House, under its previous order, adjourned until Monday, March 18, 1918, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, a letter from the Secretary of the Treasury, transmitting copy of a communication of the president of the Board of Commissioners of the District of Columbia of the 14th instant submitting revised estimate of schedules of salaries for teachers and certain officials of the public schools of the District of Columbia for the fiscal year ending June 30, 1919, amounting to \$2,312,800 (H. Doc. No. 976), was taken from the Speaker's table, referred to the Committee on Appropriations, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. HARDY, from the Committee on the Merchant Marine and Fisheries, to which was referred the bill (S. 1545) to amend the act of March 3, 1913, entitled "An act to regulate the off-licering and manning of vessels subject to the inspection laws of the United States," reported the same without amendment, accompanied by a report (No. 389), which said bill and report were referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. MAYS, from the Committee on the Public Lands, to which was referred the bill (H. R. 8444) for the relief of Ira G. Kilpatrick and Guy D. Dill, reported the same with amendment, accompanied by a report (No. 388), which said bill and report were referred to the Private Calendar.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 10300) granting an increase of pension to Mary J. Spate, helpless child of Joseph Spate, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. CRAMTON: A bill (H. R. 10782) to amend section 2 of an act entitled "An act to amend section 4131 of the Revised Statutes of the United States, to improve the merchant marine service and thereby also to increase the efficiency of the Naval Reserve, and for other purposes," as amended by act approved October 22, 1914; to the Committee on Interstate and Foreign Commerce.

By Mr. PADGETT: A bill (H. R. 10783) to authorize the Secretary of the Navy to increase the facilities for the proof and test of ordnance material, and for other purposes; to the Committee on Naval Affairs.

By Mr. CRAMTON: A bill (H. R. 10784) to amend section 314 of an act entitled "An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September 2, 1914, as added to said act by an act approved October 6, 1917; to the Committee on Interstate and Foreign Commerce.

By Mr. BACHARACH: A bill (H. R. 10785) to amend an act entitled "An act to authorize the issue to States and Territories and the District of Columbia of rifles and other property for the equipment of organizations of home guards," approved June 14, 1917; to the Committee on Military Affairs.

By Mr. GRAHAM of Pennsylvania: A bill (H. R. 10786) to confer jurisdiction on the Court of Claims; to the Committee on the Judiciary.

By Mr. FIELDS: A bill (H. R. 10787) to prevent the charge of exorbitant fees by agents or attorneys in the collection of war-risk insurance, and for other purposes; to the Committee on the Judiciary.

By Mr. MORGAN: A bill (H. R. 10788) to provide relief for the producers of wheat in the year 1917, and for other purposes; to the Committee on Agriculture.

By Mr. PORTER: A bill (H. R. 10789) to authorize the coinage of 2-cent pieces, and for other purposes; to the Committee on Coinage, Weights, and Measures.

By Mr. RAKER: Resolution (H. Res. 282) for the immediate consideration of House bill 10587; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASHBROOK: A bill (H. R. 10790) granting an increase of pension to Welcome Ashbrook; to the Committee on Invalid Pensions.

By Mr. BRUMBAUGH: A bill (H. R. 10791) granting a pension to William J. Riley; to the Committee on Pensions.

By Mr. DILLON: A bill (H. R. 10792) for the relief of William H. Lee; to the Committee on Military Affairs.

Also, a bill (H. R. 10793) granting an increase of pension to Samuel H. Elton; to the Committee on Invalid Pensions.

By Mr. DYER: A bill (H. R. 10794) granting a pension to Kathrina Balthasar; to the Committee on Invalid Pensions.

By Mr. ESCH: A bill (H. R. 10795) granting an increase of pension to William P. Visgar; to the Committee on Invalid Pensions.

By Mr. FIELDS: A bill (H. R. 10796) granting an increase of pension to John M. Ison; to the Committee on Pensions.

By Mr. GODWIN of North Carolina: A bill (H. R. 10797) granting an increase of pension to Thaddeus Clark; to the Committee on Invalid Pensions.

By Mr. HAYES: A bill (H. R. 10798) granting a pension to Emma K. Jacobs; to the Committee on Pensions.

By Mr. IRELAND: A bill (H. R. 10799) granting a pension to Charlotta Mader; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10800) granting a pension to Della Voorhees; to the Committee on Pensions.

Also, a bill (H. R. 10801) granting a pension to George Bencher; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10802) granting an increase of pension to David P. Dunkle; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10803) granting an increase of pension to David B. Stockton; to the Committee on Invalid Pensions.

By Mr. KETTNER: A bill (H. R. 10804) for the relief of the heirs of Harold B. Stoebe; to the Committee on Claims.

By Mr. LANGLEY: A bill (H. R. 10805) granting an increase of pension to Jane Hampton; to the Committee on Pensions.

Also, a bill (H. R. 10806) granting an increase of pension to James A. Burke; to the Committee on Invalid Pensions.

By Mr. NEELY: A bill (H. R. 10807) granting an increase of pension to Jesse B. Jemison; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10808) granting an increase of pension to Joseph Letzkus; to the Committee on Invalid Pensions.

By Mr. REED: A bill (H. R. 10809) granting a pension to Isaac F. Lanham; to the Committee on Pensions.

Also, a bill (H. R. 10810) retiring Thomas Harrison, a clerk in the Naval Observatory, and for other purposes; to the Committee on Naval Affairs.

By Mr. RUBEY: A bill (H. R. 10811) granting an increase of pension to David M. Prater; to the Committee on Invalid Pensions.

By Mr. STERLING of Illinois: A bill (H. R. 10812) granting an increase of pension to Charles J. Mead; to the Committee on Invalid Pensions.

By Mr. TAYLOR of Colorado: A bill (H. R. 10813) granting an increase of pension to William H. Coleman; to the Committee on Invalid Pensions.

By Mr. TILLMAN: A bill (H. R. 10814) granting a pension to Maggie V. Stone; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10815) granting a pension to James H. Schneider; to the Committee on Pensions.

By Mr. WELTY: A bill (H. R. 10816) granting an increase of pension to Luther H. Angleberger; to the Committee on Invalid Pensions.

By Mr. ZIHLMAN: A bill (H. R. 10817) granting an increase of pension to John L. Wheeler; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CAREW: Petition of the Wholesale Coal Trade Association of New York, relating to fixing of prices on bituminous coal; to the Committee on Agriculture.

By Mr. CARY: Petition of Newport Hydro-Carbon Co. and the Newport Chemical Works, both of Milwaukee, Wis., asking that excess-profits taxes be paid in installments; to the Committee on Ways and Means.

By Mr. DALE of New York: Petitions of the Wednesday Club, of Fort Smith, Ark., and other clubs and organizations of the United States, against increase in second-class postage; to the Committee on Ways and Means.

By Mr. DILLON: Memorial of Steven A. Hurlbut Post, No. 9, Grand Army of the Republic, of Elk Point, S. Dak., urging the increase of pensions of all Civil War veterans to \$50 per month; to the Committee on Invalid Pensions.

By Mr. ESCH: Petition of American Wood Preservers' Association, Baltimore, Md., against increase in postage on second-class matter; to the Committee on Ways and Means.

Also, petition of sundry citizens of Grand Marsh County, Wis., favoring closing all breweries in the Nation as a war measure; to the Committee on Agriculture.

By Mr. FESS: Petitions of citizens of the State of Ohio, pledging support of the Federal Food Administration, but pro-

testing against the waste of grain in the manufacture of intoxicating liquors; to the Committee on the Judiciary.

By Mr. HILLIARD: Resolutions adopted by the Wednesday Club of Fort Smith, Ark.; Lake View Woman's Club; Monday Club of Marshall, Mich.; Wednesday Morning Club of Cranford, N. J.; General Federation of Women's Clubs; Woman's Civic Betterment Club of Roanoke, Va.; Pen and Brush Club of New York, N. Y.; Sorosis Club of Chillicothe, Mo.; Penelope Club of Fort Worth, Tex.; Kappa Alpha Theta Alumnae Club of Greencastle, Ind.; and Cedar Falls (Iowa) Chapter, Daughters of the American Revolution, protesting against increased postage rates on periodicals; to the Committee on Ways and Means.

Also, petition of Maude M. Sanders, D. O., Helen R. McIlvain, Mrs. Nellie M. Clark, Louise Gunsaul, Mrs. E. M. Trexel, Mrs. J. T. W. Hall, and 32 others, all citizens of the State of Colorado, praying for immediate war prohibition; to the Committee on the Judiciary.

Also, petition of Mrs. C. M. Bayliss, Mrs. H. A. Keegan, Mrs. Alice Sater, Mrs. E. M. Howe, Mrs. R. B. Hughes, John L. Young, Joseph J. Weir, Mrs. Nellie E. Geer, Edna White, and Mrs. Cintra Dillon, all of Denver, Colo., praying for immediate war prohibition; to the Committee on the Judiciary.

Also, petition of Maggie Fraser, Mrs. A. D. Moss, Mrs. Sudie E. Flint, Mrs. Ella H. Stem, Florence C. M. Wilmot, Hiram D. Nicholson, Rose D. Woodworth, and 21 others, all citizens of the State of Colorado, praying for immediate war prohibition; to the Committee on the Judiciary.

By Mr. IRELAND: Petition of D. Turigliatti and other citizens of Toluca, Ill., favoring a law to punish persons or organizations responsible for pro-German activity; to the Committee on the Judiciary.

By Mr. LONERGAN: Petition of Advent Christian Science Church of Plainville, Conn., favoring immediate war prohibition; to the Committee on the Judiciary.

By Mr. LUNDEEN: Memorial of Lodge No. 11 of the International Boiler Makers, of Minneapolis, Minn., favoring no time limit for the return of the railways to private ownership; to the Committee on Railways and Canals.

Also, petition of Minneapolis Garden Club, favoring the daylight-saving bill; to the Committee on Interstate and Foreign Commerce.

Also, petition of Local Union, No. 15, of Plumbers and Steam Fitters' Association, of Minneapolis, Minn., favoring the passage of bills granting increase of pay to the Government employees; to the Committee on Appropriations.

Also, petition of the Credit Men of the Northwest, favoring retaining the present bankruptcy law permanently, and strongly opposed to any effort to repeal said law; to the Committee on the Judiciary.

By Mr. POLK: Memorial of Delaware Automobile Association, against the passage of House bill 5865, relative to tax on automobile owners; also petition of James P. Winchester, president Wilmington (Del.) Trust Co., relative to payment of excess-profits tax; to the Committee on Ways and Means.

By Mr. ROUSE: Resolution of the Allied Federated Crafts of Railway Employees of Ludlow, Ky., opposing any legislation that would fix a time limit after the war for the railroads to be returned to private ownership; to the Committee on Interstate and Foreign Commerce.

By Mr. STINESS: Petition of medical society and residents of Washington County, R. I., favoring the passage of bill granting increased rank to officers in the Medical Corps of the Army; to the Committee on Military Affairs.

SENATE.

Monday, March 18, 1918.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we lift up our hearts to Thee that we may draw from Thee those qualities of heart and mind that fit us for the duties and responsibilities of this high office. Thou dost minister out of Thine own hand direct the highest and best gifts to men who seek Thy face. We pray that the gift that Thou dost bring, that Thou dost inspire, that Thou dost breathe may be given to us this day, that with all purity of heart and purpose we may serve the people and serve God. For Christ's sake. Amen.

The Journal of the proceedings of Saturday last was read and approved.

DISPOSITION OF USELESS PAPERS (H. DOC. NO. 977).

The VICE PRESIDENT. The Chair lays before the Senate a communication from the Secretary of Labor, transmitting,